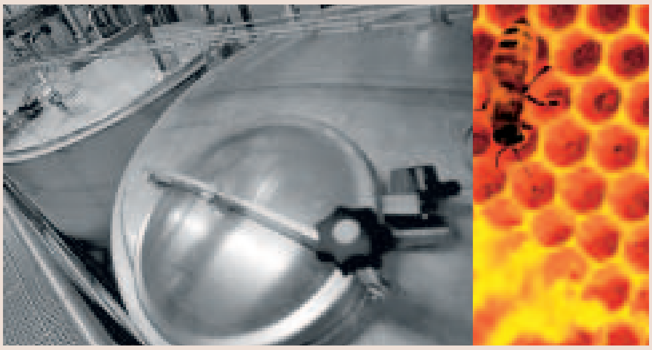
consistent. innovative.

"2003 was a year of transition for mg. We laid the foundations of a new Group structure and a clearly defined corporate strategy. Our prime objective is to sustainably enhance mg's shareholder value and to transform the company into a focused and highly profitable organization whose strong performance is rewarded by the capital market. 2004 is the year of implementation. Our strategy is to pool our resources in order to create freedom for action."

mg technologies ag

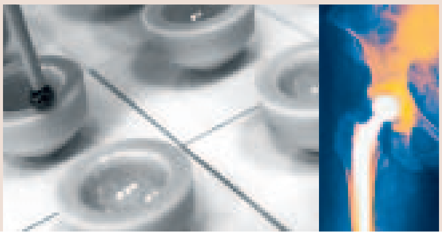
Annual Report 2003

Pooling Resources



The GEA Group, the linchpin of the new mg, is a technology and market leader, supplying process engineering and components to the food, beverage, dairy and pharmaceutical industries.

The industrial plant engineering business – consisting of Lurgi, Lurgi Lentjes and Zimmer – is to be streamlined. Portfolio optimization, selective acceptance of new business, and cost-cutting will boost mg's profit margins.



The chemicals division – comprising Dynamit Nobel and solvadis – is due to be sold in 2004. This disposal will strengthen mg's financial position and place the company on a sound footing for future expansion.

Consolidated Key Figures 2003

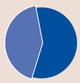
	after discontinued operations[1]			before discontinued operations		
	2003 **€ million**	adjusted 2001/02 € million	adjusted SFY 2002 € million	**adjusted 2003** **€ million**	2001/02 € million	SFY 2002 € million
RESULTS OF OPERATIONS						
Sales	6,403.2	6,826.5	1,518.8	8,156.9	8,585.8	2,032.8
thereof outside Germany	4,670.6	5,000.6	1,107.8	5,995.7	6,322.2	1,516.6
thereof in Germany	1,732.6	1,825.9	411.0	2,161.2	2,263.6	516.2
EBITDA	110.4	591.7	93.9	64.4	633.9	98.5
EBIT	– 102.6	366.4	45.9	– 160.4	396.6	47.9
Earnings before income taxes and minority interests	– 181.0	290.5	26.2	– 240.7	320.3	27.3
% of sales (ROS)	– 2.8	4.3	1.7	– 3.0	3.7	1.3
Post-tax profit/loss on discontinued operations (before minority interests)	– 69.6	12.2	2.5	–	–	–
Net loss/income	– 198.6	189.6	– 31.0	– 198.6	189.6	– 31.0
NET ASSETS						
Fixed assets	3,091.0	3,124.6	3,105.9	3,203.4	3,263.3	3,244.8
Non-fixed assets	2,711.8	2,805.6	2,811.2	2,582.4	2,649.0	2,652.1
thereof cash and cash equivalents at Dec. 31 and Sep. 30[2]	184.1	243.1	229.5	196.4	265.7	243.5
thereof assets from discontinued operations	466.2	511.6	556.9	–	–	–
Other assets (prepaid expenses + deferred taxes)	897.5	820.9	782.9	914.5	838.8	803.1
Total assets at Dec. 31 and Sep. 30	6,700.3	6,751.1	6,700.0	6,700.3	6,751.1	6,700.0
Consolidated shareholders' equity at Dec. 31 and Sep. 30	1,663.8	2,036.8	1,991.2	1,663.8	2,036.8	1,991.2
% of total assets	24.8	30.2	29.7	24.8	30.2	29.7
Minority interests	41.1	41.4	42.0	42.3	42.4	42.6
Provisions and accrued liabilities	1,827.6	1,703.4	1,623.1	2,022.3	1,851.7	1,781.8
Bonds	300.0	298.0	298.0	300.0	298.0	298.0
Liabilities to banks	843.8	675.3	774.1	891.7	683.6	800.5
Liabilities from discontinued operations	429.7	366.0	408.4	–	–	–
Net position[3]	– 959.7	– 730.2	– 842.6	– 995.3	– 715.9	– 855.0
Gearing in %[4]	57.7	35.9	42.3	59.8	35.1	42.9
FINANCIAL POSITION						
Net cash provided by (used for) operating activities	136.8	178.3	– 43.0	149.8	205.9	– 65.1
Free cash flow[5]	– 36.9	– 0.6	– 96.5	– 4.7	18.3	– 124.8
Investment (at balance sheet date)[6]	4,532.6	4,609.9	4,691.5	4,311.2	4,381.4	4,428.9
Capital expenditure incl. capital leases	292.8	266.7	62.5	306.6	304.0	66.7
thereof on property, plant and equipment and intangible assets	259.5	252.6	62.0	273.2	268.3	65.2
Depreciation and amortization of fixed assets	213.0	225.3	48.0	224.8	237.4	50.7
EMPLOYEES[7]						
Employees at Dec. 31 and Sep. 30	29,189	29,940	29,821	30,835	32,015	31,812
thereof in Germany	15,360	15,668	15,639	16,249	16,623	16,606
thereof outside Germany	13,829	14,272	14,182	14,586	15,392	15,206
Average number of employees during the year	29,299	31,091	30,614	31,118	33,185	32,677
Staff expenses	1,742.7	1,755.6	424.2	1,883.6	1,909.2	462.1
mg SHARES						
Dividend per share (€)	–	0.25	0.06	–	0.25	0.06
Total dividend payout	–	48.3	11.6	–	48.3	11.6
Share price at Dec. 31 and Sep. 30 (€)	11.10	6.51	5.90	11.10	6.51	5.90
Basic earnings per share (€)	– 1.02	0.99	– 0.16	– 1.02	0.99	– 0.16
Diluted earnings per share (€)	– 1.02	0.97	– 0.16	– 1.02	0.97	– 0.16
Weighted-average number of shares outstanding (million)	193.8	192.3	193.3	193.8	192.3	193.3
Adjusted diluted weighted-average number of shares outstanding (million)	193.8	194.8	193.3	193.8	194.8	193.3
Economic value added	– 369.1	38.2	–	– 408.7	91.5	–

(1) i.e. reporting of discontinued operations in accordance with SFAS 144
(2) Cash and cash equivalents = liquid funds plus securities
(3) Net position = cash and cash equivalents[2] minus bonds minus bank debt
(4) Gearing = net position[3]/consolidated shareholders' equity
(5) Free cash flow = net cash provided by (used for) operating activities plus net cash provided by (used for) investing activities
(6) Investment = fixed assets plus non-fixed assets
minus (total) trade payables minus liabilities from derivatives minus advance payments received
minus provisions for outstanding suppliers' invoices
(7) Full-time equivalents (FTEs), excluding trainees

mg engineering

GEA	2003* € million	2001/02* € million	SFY 2002* € million
Sales	2,702	2,874	607
EBITDA	253	293	48
EBIT [1]	199	241	36
Pre-tax earnings [1]	197	235	36
Depreciation and amortization of fixed assets [1]	54	52	12
Capital expenditure [2]	50	66	17
Net cash provided by (used for) operating activities	209	165	– 35
New orders	2,665	2,847	638
Order book	891	1,000	1,017
Employees [3]	13,820	14,080	14,096

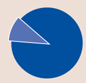
Share of consolidated sales **42.2 %**



*) Figures for GEA have been adjusted for discontinued operations

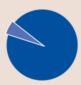
Lurgi	2003 € million	2001/02 € million	SFY 2002 € million
Sales	592	497	129
EBITDA	– 73	2	1
EBIT	– 86	– 8	– 1
Pre-tax earnings	– 76	8	3
Depreciation and amortization of fixed assets	13	10	2
Capital expenditure [2]	2	5	0
Net cash used for operating activities	– 64	– 43	– 42
New orders	229	577	36
Order book	417	833	745
Employees [3]	1,266	1,425	1,429

Share of consolidated sales **9.2 %**



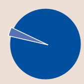
Lurgi Lentjes	2003 € million	2001/02 € million	SFY 2002 € million
Sales	361	486	104
EBITDA	– 112	– 6	– 3
EBIT	– 123	– 8	– 3
Pre-tax earnings	– 124	– 6	– 3
Depreciation and amortization of fixed assets	11	3	0
Capital expenditure [2]	2	4	0
Net cash used for operating activities	– 125	– 57	– 9
New orders	538	408	208
Order book	646	502	597
Employees [3]	566	647	601

Share of consolidated sales **5.6 %**



Zimmer	2003 € million	2001/02 € million	SFY 2002 € million
Sales	223	263	59
EBITDA	2	9	3
EBIT [1]	0	7	2
Pre-tax earnings [1]	4	16	4
Depreciation and amortization of fixed assets [1]	2	2	0
Capital expenditure [2]	21	5	1
Net cash provided by operating activities	11	14	2
New orders	220	225	55
Order book	237	235	228
Employees [3]	719	362	359

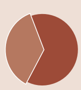
Share of consolidated sales **3.5 %**



mg chemical group

Dynamit Nobel	2003* € million	2001/02* € million	SFY 2002* € million
Sales	2,328	2,461	561
EBITDA	329	398	74
EBIT [1]	214	279	46
Pre-tax earnings [1]	188	249	38
Depreciation and amortization of fixed assets [1]	115	119	28
Capital expenditure [2]	198	179	41
Net cash provided by operating activities	272	288	43
Employees [3]	12,304	12,596	12,555

Share of consolidated sales **36.4 %**



*) Figures for Dynamit Nobel have been adjusted for discontinued operations

solvadis	2003* € million	2001/02* € million	SFY 2002* € million
Sales	1,416	1,441	426
EBITDA	0	35	6
EBIT	– 6	28	5
Pre-tax earnings	– 7	28	4
Depreciation and amortization of fixed assets	6	7	1
Capital expenditure [2]	10	31	3
Net cash used for operating activities	– 21	39	– 25
Employees [3]	792	838	835

*) Figures of solvadis only for information purposes (discontinued operations)

[1] The mg Group started to use push-down accounting at the beginning of 2003; this has resulted in higher depreciation and amortization in the GEA (€5.3 million), Dynamit Nobel (€1.9 million) and Zimmer (€0.6 million) segments as from fiscal 2003.
[2] Purchases of property, plant and equipment and intangible assets and investments (including capital leases)
[3] Full-time equivalents (FTEs), excluding trainees, at the balance sheet date

Creating freedom for action

CONTENTS

EXECUTIVE BOARD

Members of the Executive Board

Udo Stark
born on November 21, 1947
Chairman of the Executive Board
Member of the Executive Board since June 4, 2003

Karlheinz Hornung
born on December 24, 1950
Executive Board member responsible for Finance
Member of the Executive Board from July 11, 1998 through March 31, 2004

Klaus Moll
born on October 21, 1948
Executive Board member responsible for Industrial Plant Engineering
Member of the Executive Board since December 1, 2003

Jürg Oleas
born on December 8, 1957
Executive Board member responsible for Chemicals
Member of the Executive Board since May 1, 2001

Peter Steiner
born on July 16, 1959
Executive Board member responsible for Finance as from April 1, 2004
Member of the Executive Board since March 1, 2004

The following directors have stepped down from the Executive Board:

Dr. Karl Josef Neukirchen
until May 30, 2003

Dr. Rolf G. Niemann
until August 15, 2003

Dr. Fritz Lehnen
until October 2, 2003

Udo Stark

Karlheinz Hornung

Klaus Moll

Jürg Oleas

Peter Steiner

Dear Shareholders,

I took over as Chief Executive Officer of mg technologies ag following the Annual Shareholders' Meeting on June 4 last year. The first step towards a new beginning for the company – and something that was in the interest of all concerned – was the settlement of the long-running conflict between mg and one of its major shareholders. This was accomplished – with the backing of the newly elected Supervisory Board – by the beginning of September. At the same time, our attention was focused on the forthcoming restructuring.

By adopting the necessary resolutions, the Executive Board and the Supervisory Board dealt with the backlog of decisions that had built up in recent years. They also cleaned up the Group's balance sheet, which largely contributed to its pre-tax loss of €241 million under its current structure. This figure includes one-off charges of €437 million, which cover the cost of restructuring and reorganization, risk provisioning for pre-existing contracts, the settlement of long-running lawsuits, and the disposal or discontinuation of loss-making businesses.

In hindsight, 2003 therefore heralds a new strategic departure and the application of more conservative accounting policies.

It is no longer possible to run the mg Group as a profitable venture while retaining its two traditional core businesses: Engineering, consisting of GEA's specialty mechanical engineering activities and the companies engaged in industrial plant engineering; and Chemicals, comprising Dynamit Nobel and solvadis' trading operations. We do not have the financial resources to continue this strategy. Having examined all other feasible alternatives, the Executive Board – with the backing of the Supervisory Board – decided last fall to sell the Chemicals division and, once it had paid down the Group's debt, to use the funds available to expand the Group's specialty mechanical engineering activities.

GEA is already a technology leader in all its markets and, with a return on sales of over seven percent, highly profitable. We believe that by stepping up its internationalization and rounding off its range of activities right along the value chain, GEA will continue to have excellent prospects.

The strategic refocus of the mg Group will entail simplifying its entire organizational structure. The first step will be to integrate the business operations of those companies engaged in industrial plant engineering with mg technologies ag. The current Lurgi AG and Lurgi Lentjes AG intermediate holding companies will be wound up. The number of staff in mg's holding company has been reduced. Once the Chemicals division has been sold, we plan to merge the remaining holding companies of mg technologies ag and GEA AG in Bochum. By successfully completing this project, we will cut the mg Group's holding-company costs from €170 million in 2002 to €50 million.

GEA and Dynamit Nobel performed satisfactorily in 2003 despite the economic conditions. They managed to defend – and, in some cases, enhance – their strong market positions. By contrast, the profitability of the industrial plant engineering business once again proved problematic. Lurgi and Lurgi Lentjes both suffered heavy losses in their operating business, particularly through the completion of existing projects; these included selling Stahlbau Plauen, which had been making losses for years, settling disputed pre-existing contracts, and setting aside risk provisions to cover their settlement. The Group's strategic refocus will require the industrial plant engineering business to concentrate on proprietary technologies in profitable growth markets. It will also necessitate a reduction of capacities in order to substantially lower the break-even threshold. Taken together, these measures will cut the headcount in this business by about 500 employees.

2004 will be the year of implementation. This centers on the disposal of the Chemicals division and the restructuring of the industrial plant engineering business and in 2005 will put the company back on track for growth and expansion. The Group's sales – excluding acquisitions – will then be in the order of €4.5 billion. Its profitability will increase substantially on the back of GEA's robust performance, the improvement in the Group's financial structure – relieving much of the pressure on its interest income – and the sharp reduction in its holding-company costs. Assuming the economic environment improves, its pre-tax return on sales should be raised to five percent. Should the right opportunities arise, mg will once again be in the market for acquisitions.

In conclusion, we can say that the capital markets have been quick to reward this strategy, causing mg's share price to soar by 88 percent in 2003. This has strengthened our resolve to continue the current restructuring process swiftly and without any taboos.

This venture can only succeed with the support of all concerned. I would therefore like to take this opportunity to thank all our employees and their representatives for the work they have done and the commitment they have demonstrated throughout the mg Group. I would also like to express my gratitude to our shareholders for their continued confidence in the company's stock. My colleagues and I and all mg employees will continue to do all we can to make mg a consistently profitable organization.

Udo Stark
Chairman of the Executive Board

The Supervisory Board of mg technologies ag

Dr. Jürgen Heraeus, Maintal,
(since June 3, 2003),
Chairman of the Supervisory Board
Chairman of the Supervisory Board of
Heraeus Holding GmbH

Helmut Werner (†), Stuttgart,
(until June 3, 2003)
Chairman of the Supervisory Board
Graduate of business economics

Reinhold Siegers*, Mönchengladbach,
Deputy Chairman
Chairman of the Group Works Council of
mg technologies ag

Gerhard Adams*, Runkel,
(since June 2, 2003)
Member of the Works Council of Chemetall GmbH

Khaled Al-Sabah, London,
(until July 20, 2003)
Government of Kuwait, Kuwait Investment Office

Dieter Ammer, Bremen,
(since June 3, 2003)
Chairman of the Management Board of Tchibo Holding AG

Ahmad M.A. Bastaki, Safat, Kuwait,
(since September 2, 2003)
Director, Kuwait Investment Authority

Dr. Karl-Hermann Baumann, Munich,
(until June 3, 2003)
Chairman of the Supervisory Board of Siemens AG

Dr. Diethart Breipohl, Icking,
(until June 3, 2003)
Former Member of the Management Board of Allianz AG

Gerd Delaveaux*, Bochum,
Chairman of the Works Council of
GEA Happel Klimatechnik GmbH

Dr. Manfred Döss*, Hofheim,
Head of the Legal Department of mg technologies ag

Rolf Erler*, Düsseldorf,
Regional Head of IG Bergbau, Chemie, Energie, Bonn

Prof. Dr. Dr. h. c. Joachim Funk, Düsseldorf,
(until June 3, 2003)
Former Chairman of the Supervisory Board of
Mannesmann AG

Rainer Gröbel*, Sulzbach/Ts.,
Departmental Head, National Executive of IG Metall

Dr. Otto Happel, Luzern,
(since June 3, 2003)
Entrepreneur

Dr. Gerhard Jooss, Essen,
(since June 3, 2003)
Former Member of the Executive Board of ThyssenKrupp AG

Prof. Dr. med. Dr. h.c. Rolf Krebs, Mainz,
(since June 3, 2003)
Former Spokesman for the Management of
Boehringer Ingelheim GmbH

Dr. Jürgen Krumnow, Königstein/Ts.,
Member of the Advisory Board of
Deutsche Bank AG

Rolf Kümmel*, Kelkheim,
Chairman of the Works Council of Chemetall GmbH

Dr. Dietmar Kuhnt, Essen,
Former Chairman of the Executive Board of RWE AG

Heinz-Joachim Miller*, Freigericht,
(until May 31, 2003)
Employee of Lurgi AG

Justus Mische, Kelkheim,
(until June 3, 2003)
Graduate of business economics

Dieter Rehbein*, Duisburg,
Chairman of the Works Council of
Sachtleben Chemie GmbH

Dr. Andreas Rittstieg, Hamburg,
(since February 10, 2004)
Attorney

Michael Vassiliadis*, Hemmingen,
Secretary of the National Executive of
IG Bergbau, Chemie, Energie

Bernhard Walter, Bad Homburg v.d.H.,
Former Spokesman of the Board of Managing Directors of
Dresdner Bank AG

Wolfgang Wick*, Bottrop,
Chairman of the Group Works Council of
Dynamit Nobel AG

Dr. Eberhard Zinn (†), Munich,
(until December 31, 2003)
Chairman of the Supervisory Board of
Hauck & Aufhäuser Privatbankiers KGaA

* Employee representatives

Committees of the Supervisory Board of mg technologies ag

(until June 3, 2003)

Committee pursuant to section 27 (3) of the German Codetermination Act (Mediation Committee)

Helmut Werner (†), Chairman
Reinhold Siegers*
Bernhard Walter
Wolfgang Wick*

Audit Committee

Helmut Werner (†), Chairman
Dr. Jürgen Krumnow
Reinhold Siegers*
Michael Vassiliadis*
Bernhard Walter
Wolfgang Wick*

Committees of the Supervisory Board of mg technologies ag

(since the end of the Annual Shareholders' Meeting on June 3, 2003)

Committee pursuant to section 27 (3) of the German Codetermination Act (Mediation Committee)

Dr. Jürgen Heraeus, Chairman
Dr. Otto Happel
Reinhold Siegers*
Wolfgang Wick*

Chairman's Committee

Dr. Jürgen Heraeus, Chairman
Dieter Ammer
Dr. Otto Happel
Reinhold Siegers*
Michael Vassiliadis*
Wolfgang Wick*

Audit Committee

Dr. Gerhard Jooss, Chairman
Rainer Gröbel*
Dr. Jürgen Heraeus
Dieter Rehbein*

* Employee representatives

In 2003, the Supervisory Board monitored the company's situation closely and performed the duties incumbent upon it by virtue of the law, the articles or incorporation and the rules of internal procedure. These duties included deliberations based on regular, timely and comprehensive information provided by the Executive Board, involvement in decisions of material importance to the company, and the necessary monitoring of the Executive Board.

The Supervisory Board was informed in detail about the company's business performance and financial position, including its risk position and risk management systems. Any deviations in its business development from the budgets and targets it had set were explained. The company's new strategy was agreed with the Supervisory Board. Prior to and in between meetings, the Executive Board submitted written reports on material events. Furthermore, the Chairman of the Supervisory Board remained in regular contact with the Executive Board, especially with its Chairman, who constantly provided him with timely information about significant developments and pending decisions. Business transacted by the company that required the consent of the Supervisory Board was submitted for approval.

Nine Supervisory Board meetings were held in 2003, including the constituent meeting after the Annual Shareholders' Meeting on June 3. Three members of the Supervisory Board attended less than half of the meetings scheduled during their respective term of office either due to ill health or because these meetings clashed with other prior commitments. The Supervisory Board was also provided with detailed information between meetings about projects and ventures of particular importance or urgency for the company. Where necessary, resolutions were adopted in writing.

Focal points of the Supervisory Board's deliberations

The main issues discussed at the Supervisory Board meetings on February 4, March 25, and April 10, 2003 were the annual financial statements for 2001/2002 and for the short 2002 fiscal year as well as the proposals to be put to the Annual Shareholders' Meeting for approval on June 3, 2003. The meeting immediately prior to the Annual Shareholders' Meeting was used to prepare for this event. The Executive Board's plans to sell the Stahlbau Plauen Group, which had been making losses for years, were approved.

At its meetings on September 11 and October 2, 2003, the Supervisory Board dealt principally with questions pertaining to the company's strategy, financial position, organizational structure, risk situation, and the options available for the future direction of the Group. Having conducted a comprehensive review and carefully examining the company's strategy to date, the Supervisory Board concluded at its October meeting – also attended by the Executive Board – that the only way to ensure sustainable, profitable growth for the mg Group and to pay down its debt was to dispense with its traditional two-pronged strategy and, instead, to concentrate on the GEA Group's process engineering and components businesses and the companies engaged in industrial plant engineering. The Chemicals division, consisting of the Dynamit Nobel Group and solvadis, is to be sold. The Supervisory Board noted with approval the Executive Board's plans to reduce complexity and cut costs by flattening hierarchies, merging holding-company functions, and concentrating the processes available in the industrial plant engineering business. In order to obtain a clearer picture of the current positions, prospects and strategies of GEA and Lurgi Lentjes, the Supervisory Board arranged for the chief executive officers of these two companies to give presentations on their respective organizations. Presentations by Lurgi and Zimmer will follow in the course of 2004.

Work of the committees

By the time its term of office had expired on June 3, 2003, the Supervisory Board had set up two committees: the Audit Committee and the legally prescribed Mediation Committee (pursuant to section 27 (3) of the German Codetermination Act (MitbestG)). The Audit Committee met on six occasions. In addition to its usual remit of discussing the company's financial statements and accounts, it negotiated the modification and termination of certain executive directors' employment contracts. At the meeting on March 18, 2003, the head of Internal Audit reported on the focal points of the audits conducted in 2001/2002 and the short 2002 fiscal year as well as the audit schedule for 2003.

In compliance with the recommendations of the German Corporate Governance Code, it was decided on June 3, 2003 that the Audit Committee's responsibilities should be shared between the newly formed Chairman's Committee and the Audit Committee. The Chairman's Committee was given responsibility for dealing with personnel-related matters pertaining to the Executive Board, strategic issues, and the preparation of the plenary sessions. The Audit Committee is responsible for accounting, risk management and auditing issues. The posts of Audit Committee Chairman and Supervisory Board Chairman are now no longer held by the same person.

At a joint meeting of the Chairman's Committee and the Audit Committee on June 4, 2003, the new Supervisory Board members on these committees were informed about the mg Group's various business units and their respective market positions, its key performance indicators, its budget, and its strategy to date.

In 2003, the Chairman's Committee also met on three occasions to discuss strategic issues and, in particular, matters pertaining to the contracts of Executive Board members. The Audit Committee met on two further occasions. Its deliberations here focused on the measures taken by management to reduce the company's debt, risk management, and presentations by auditing firms to help the Audit Committee decide which company's name should be submitted to the 2004 Annual Shareholders' Meeting so that it could vote on the auditors to be appointed. The Mediation Committee did not have to be convened.

At the plenary sessions, the Chairmen of each of the committees reported at length on the meetings and work of their respective committees.

Corporate governance

A further focal point of the Supervisory Board's deliberations was an ongoing review of the corporate governance principles applied across the mg Group. Having adopted a resolution to this effect at the meeting on December 16, 2003, the Supervisory Board and the Executive Board jointly submitted the declaration of compliance prescribed by section 161 of the German Joint Stock Corporation Act. This declaration confirms that, with three exceptions concerning the remuneration of the members of the Executive Board and the Supervisory Board (Executive Board members' remuneration is not specified individually, no separate compensation is paid for membership of the committees, and no performance-related compensation is paid to members of the Supervisory Board), the company complies with the recommendations of the German government's commission on the German Corporate Governance Code. Modifications to the Supervisory Board's rules of internal procedure to bring it into line with current legislation and the German Corporate Governance Code as well as rules of internal procedure for the newly formed committees were discussed and were adopted in 2004 but still need to be approved in part at the Shareholders' Meeting to become effective.

Annual financial statements and consolidated financial statements for 2003

The 2003 annual financial statements of mg technologies ag and the management report as well as the consolidated financial statements and the Group management report prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, and have been given their unqualified opinion. The auditors have confirmed that the consolidated financial statements and the Group management report qualify for exemption from the duty to prepare accounts in accordance with German law (section 292 a of the German Commercial Code (HGB)). The Executive Board has put in place a risk management system that meets the regulatory requirements.

Prior to the Supervisory Board meeting held on March 29, 2004 for the purpose of establishing the financial statements, the members of the Supervisory Board had been given copies of the annual financial statements, the management report, and the Executive Board's proposal to carry any profits or losses forward to the next period, as well as the consolidated financial statements, the Group management report, and the independent auditors' reports for the 2003 fiscal year. These documents were discussed and scrutinized at the Audit Committee meeting on March 23, 2004 and at the plenary session held on March 29, 2004 for the purpose of establishing the financial statements. The auditors who signed the audit reports attended both meetings and reported on the procedures used and the material findings of their audit. They were available to answer any questions. The Supervisory Board agreed with the auditors' findings and, having conducted its own audit, found that it had no reservations to make. The Supervisory Board agreed with the Executive Board's proposal for the appropriation of profits and losses.

At its meeting on March 29, 2004, the Supervisory Board approved the consolidated financial statements for 2003 and the annual financial statements of mg technologies ag for 2003. The annual financial statements of mg technologies ag have thus been ratified.

Personnel changes on the Supervisory Board and Executive Board

On the employee side, Heinz-Joachim Miller left the Supervisory Board on his retirement on May 31, 2003. Gerhard Adams was legally appointed as his successor with effect from June 2, 2003. Mr. Adams, along with the other employee representatives on the Supervisory Board, had already been elected as a delegate member of the Supervisory Board for the new term of office.

The term of office of the shareholder representatives on the Supervisory Board also expired at the end of the Annual Shareholders' Meeting on June 3, 2003. Helmut Werner, the incumbent Chairman of the Supervisory Board, and Dr. Karl-Hermann Baumann, Dr. Diethart Breipohl, Professor Dr. Dr. h.c. Joachim Funk and Justus Mische did not stand for re-election. Dieter Ammer, Dr. Otto Happel, Dr. Jürgen Heraeus, Dr. Gerhard Jooss and Professor Dr. med. Dr. h.c. Rolf Krebs were elected to the

Supervisory Board as new shareholder representatives. Dr. Jürgen Heraeus was elected as Chairman of the Supervisory Board and Reinhold Siegers was elected its Deputy Chairman at the constituent meeting following the Annual Shareholders' Meeting. The committees were also elected: the members of the Chairman's Committee are Dr. Jürgen Heraeus (Chairman), Dieter Ammer, Dr. Otto Happel, Reinhold Siegers, Michael Vassiliadis and Wolfgang Wick. Dr. Gerhard Jooss (Chairman), Rainer Gröbel, Dr. Jürgen Heraeus and Dieter Rehbein make up the Audit Committee. The Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG) consists of Dr. Jürgen Heraeus (Chairman), Dr. Otto Happel, Reinhold Siegers and Wolfgang Wick.

The following personnel changes on the Supervisory Board also took place in 2003: Khaled Al-Sabah, who had stepped down from the Supervisory Board with effect from July 20, 2003, was succeeded by Ahmed Bastaki, who was officially appointed with effect from September 2, 2003. Dr. Eberhard Zinn left the Supervisory Board with effect from December 31, 2003. He was succeeded by Dr. Andreas Rittstieg, an attorney, who was officially appointed with effect from February 10, 2004.

The following persons stepped down from the Executive Board: Dr. Karl Josef Neukirchen, Chairman, on May 30, 2003; Dr. Rolf G. Niemann on August 15, 2003; and Dr. Fritz Lehnen on October 2, 2003. On June 3, 2003, Udo Stark was appointed as a member of the Executive Board with effect from June 4, 2003 and was named as its Chairman. In addition to his position as finance director on mg's Executive Board, Karlheinz Hornung was appointed as personnel director with effect from August 16, 2003. Klaus Moll joined the Executive Board on December 1, 2003, taking over responsibility for industrial plant engineering from Dr. Lehnen. At its meeting in December, the Supervisory Board appointed Peter Steiner with effect from March 1, 2004 to take over as finance director from Mr. Hornung, who is leaving the Executive Board on March 31.

The Supervisory Board would like to thank the managements, employee representatives and, especially, all employees of the companies in the mg technologies Group for their considerable personal dedication and valuable contribution in 2003.

We will always honor the memory of Helmut Werner, who passed away in February of this year. As Chairman of the Supervisory Board, Mr. Werner placed his strong personal commitment and entrepreneurial vision at the company's disposal from April 1998 through June 2003. Dr. Eberhard Zinn, who served on mg's Supervisory Board from 1994 through 2003, died in March of this year. We shall also honor his memory.

Frankfurt am Main, March 29, 2004

Dr. Jürgen Heraeus
Chairman of the Supervisory Board

mg technologies ag regards the German Corporate Governance Code as an important benchmark that helps management in its efforts to run the company in a responsible and transparent fashion so as to add value. The company complies with all of the Code's material recommendations in its version of May 21, 2003. It has implemented many of its suggestions.

Code helps to win and retain investors' confidence

The past two years have seen the establishment of the German Corporate Governance Code, a standard that aligns German financial legislation more closely with practical requirements. The Code stipulates clearly defined disclosure requirements and codes of conduct for the executive boards and supervisory boards of publicly traded German companies in particular. mg technologies ag views this Code as a major contribution to ensuring a functioning capital market. It is the first code to provide companies with a binding benchmark against which to measure their efforts to ensure transparency and guide their management mechanisms. The company is confident that the Code will help strengthen domestic and international investors' confidence in the German economy.

Management and control at mg technologies

As a German stock corporation, mg technologies ag has an executive board and a supervisory board, which is the usual structure of corporate management and control in Germany. The Executive Board is responsible for running the company on a day-to-day basis. The Supervisory Board appoints and monitors the Executive Board and advises it on all important corporate issues.

The interaction between management and control in the Group is governed by an established system of structures, processes and responsibilities. The functioning of the system's material inhouse rules and procedures is regularly reviewed and, where necessary, aligned with the latest requirements. This is particularly true of the issues addressed by the Code, such as the executive board, the supervisory board, the annual shareholders' meeting, transparency, accounting, and auditing.

The Executive Board and its terms of reference

The Executive Board is responsible for running the company on a day-to-day basis. It devises corporate strategy, coordinates it with the Supervisory Board, and ensures that it is implemented. It is responsible for ensuring compliance with the relevant legislation and for putting in place an appropriate risk management and control system. The rules of internal procedure stipulate in sufficient detail the allocation of mandates and cooperation among the members of the Executive Board.

In performing its mandates, the Executive Board undertakes to avoid conflicts, and – if they should occur – to inform the Supervisory Board accordingly. The Supervisory Board ensures that the company's interests are safeguarded at all times.

The Supervisory Board and its terms of reference

The Supervisory Board consists of 20 members. It comprises equal numbers of shareholder representatives and employee representatives, as required by the German Codetermination Act (MitbestG). The shareholder representatives are appointed by the Annual Shareholders' Meeting, whereas the employee representatives are elected in accordance with the provisions of the Codetermination Act. The Supervisory Board is appointed for a five-year term. The current Supervisory Board's term expires at the end of the 2008 Annual Shareholders' Meeting.

The Supervisory Board's main function is to advise and monitor the Executive Board. It appoints and removes the members of the Executive Board. Certain Supervisory Board and Executive Board functions stipulated in the articles of incorporation and in the rules of internal procedure are subject to its approval.

Supervisory Board committees

The Supervisory Board is currently assisted in its work by two committees: the Chairman's Committee, which was set up in 2003, and the Audit Committee. There is also the Mediation Committee, which was set up under the Codetermination Act. Each committee's responsibilities and procedures are laid down in their own rules of internal procedure.

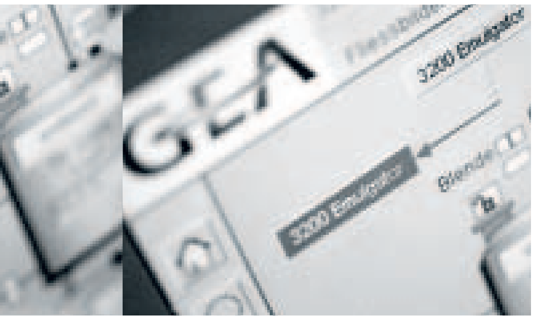
Cooperation between Supervisory Board and Executive Board

The Executive Board and the Supervisory Board collaborate closely in the company's interest and in pursuit of the agreed performance targets. The Executive Board coordinates the Group's strategy with the Supervisory Board and regularly discusses with it the issues relevant to the implementation of this strategy. It provides the Supervisory Board with regular, timely and comprehensive information on the development of business, the company's performance, and the risks inherent in its operations.

Communication between the Executive Board and the Supervisory Board is characterized by a spirit of openness and trust. They ensure that confidentiality is maintained at all times on issues affecting the company, even amongst colleagues.

Transparency of accounting and auditing

mg technologies ag undertakes to ensure transparency in its financial reporting. To this end, the company has been publishing its consolidated financial results in accordance with United States generally accepted accounting principles (U.S. GAAP) since its 1999/2000 fiscal year. The parent company's financial results continue to be prepared in accordance with the German Commercial Code (HGB).



The Supervisory Board commissions the auditors elected by the Annual Shareholders' Meeting to audit the company's financial statements and stipulates the auditors' schedule and fees. In doing so, it ensures that the auditors' work is not compromised by conflicts of interest. The Supervisory Board has obtained an undertaking from the auditors that they will inform it immediately if, when conducting their audit, they ascertain any facts that are inconsistent with the declaration of compliance issued by the Executive Board and the Supervisory Board.

Full disclosure for public and shareholders

mg technologies ag provides all of its stakeholders with timely, comprehensive and identical information. To this end, the company makes its annual and interim reports, press releases and other relevant information available on the internet. It also organizes regular analysts' meetings, press conferences, and events for investors.

The company complies with legal regulations by publishing immediately any facts that could influence its share price on the stock market in the form of ad hoc releases, which are also made available on its website.

All material information published in writing is also made publicly available in English.

Declaration of compliance

The Executive Board and Supervisory Board of mg technologies ag have decided, wherever possible, to comply with the requirements and recommendations of the German Corporate Governance Code. To this end, they issued the following declaration of compliance in December 2003:

mg technologies ag complies with the recommendations of the German government's commission on the German Corporate Governance Code – to the extent that they are currently applicable (at May 21, 2003) – with the following exceptions:

- There are no plans at present to publish details of the individual remuneration paid to each member of the Executive Board in the Notes to the Consolidated Financial Statements, broken down into fixed compensation, performance-related pay and long-term incentives (Code subparagraph 4.2.4, sentence 2).
- The post of chairman and membership of the Supervisory Board's committees have no impact on the level of compensation paid to members of the Supervisory Board at present (Code subparagraph 5.4.5, subsection 1, sentence 3).
- The compensation paid to members of the Supervisory Board does not contain any variable component that is dependent on either the financial position or the performance of mg technologies ag (Code subparagraph 5.4.5, subsection 2, sentence 1).

The company intends to propose to its Annual Shareholders' Meeting for fiscal 2003 that its articles of incorporation be amended in such a way that the Supervisory Board's compensation complies with the Code's recommendations.

Frankfurt am Main, December 16, 2003

On behalf of the Supervisory Board
Dr. Jürgen Heraeus

On behalf of the Executive Board
Udo Stark, Karlheinz Hornung

mg's share price performed encouragingly in 2003

Following the three-year bear market, stock markets around the world bounced back sharply in 2003. In this generally encouraging market environment, mg's share price performed particularly well last year, especially on the back of its announcement of a significant shift in strategy. mg's share price climbed 88 percent over the year, comfortably outperforming the major international stock market indices.

Market environment recovered

Heavily influenced by the political and economic environment, shareholders invested in Germany experienced dramatically changing fortunes during the course of the year: after share prices had plummeted at the beginning of the year, the German indices posted significant gains at year-end. 2003 was a good year for second-line stocks in particular. Most stock prices were still in negative territory in the first quarter. However, the swift end to the Iraq war triggered a share price rally as from mid-March. By year-end, the DAX had gained 37 percent, while the MDAX – which includes mg's shares – had put on as much as 48 percent. International indices such as the Dow Jones (up 25 percent), the European Stoxx 50 (up 16 percent) and Japan's Nikkei (up 24 percent) posted strong gains on the previous year-end.

mg's share price climbed 88 percent in 2003

mg's share price hit €4.95, its low for the year, at the end of the first quarter. In the second quarter, hopes of a global economic recovery generally produced significant share price gains. mg's stock was also boosted by the announcement of changes within the company's shareholder and management structure and by related expectations of a shift in strategy. At the beginning of April, Dr. Otto Happel announced that he had increased his shareholding from ten percent to roughly twenty percent. Dr. Kajo Neukirchen, the Chairman of the Executive Board, left the company effective May 30, 2003. On June 3, Udo Stark was appointed Chairman of the Executive Board of mg technologies ag with effect from June 4, 2003. mg's share price touched a high of €9.26 for the first half of the year.

The encouraging trend continued in the second half of the year. At the end of September, mg's share price rose to over €10 prior to the announcement of the Group's strategic refocus. Expectations of a higher valuation for the company on the back of its new strategy caused the stock price to climb further in the final quarter of the year, reaching €11.20, its high for the year, on December 4. December 31 marked the conclusion of what for mg shareholders had been a superb year during which the company's share price had soared by 88 percent on year-end 2002 to €11.10.

mg-Shares: Key Data

Security code no.	660 200
ISIN	DE0006602006
Reuters symbol	METG.DE
Bloomberg symbol	MGT GR

Market capitalization grows to over €2.1 billion

In line with the performance of its share price, mg technologies ag's market capitalization grew significantly in 2003. Having been €1.14 billion at year-end 2002, it amounted to €2.16 billion at the end of December 2003. The underlying number of shares came to 194.4 million at the balance sheet date. Under the indexing system used by Deutsche Börse, which only counts companies' free float, mg shares advanced three places on year-end 2002 to 39th in terms of market capitalization. The stock slipped two places year on year to 45th in terms of trading volume.

At 435,442 shares, average daily turnover in 2003 was well in excess of that in 2001/2002 (308,000 shares). On October 2, the day on which mg announced its new strategic focus, trading volume in its shares rose to 3.5 million at one point. Roughly 90 percent of this trading volume was settled through XETRA.

mg's shares still in the MDAX following new stock market segmentation

Deutsche Börse's new stock market segmentation came into force on January 1, 2003. On January 15, mg's shares were admitted to the Prime Standard, the segment with the most stringent disclosure requirements. Since March 24, mg's shares have been listed in the new MDAX, which has been reduced from 70 to 50 stocks under the new indexing system used by Deutsche Börse. In addition to the MDAX, mg's shares are listed in other major domestic and international stock market indices.

Modified shareholder structure

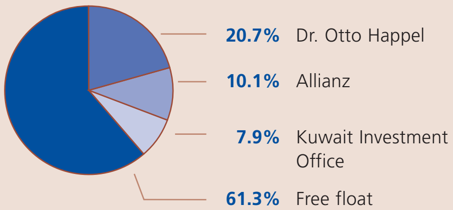
There were a number of changes in mg's shareholder structure during the year under review. Dr. Otto Happel increased his shareholding from roughly 10 percent to 20.7 percent. He is now mg's largest shareholder. According to the most recent reports filed under the German Securities Trading Act (WpHG), Allianz held 10.1 percent of the shares and the Kuwait Investment Office 7.9 percent. Deutsche Bank reduced its investment in the company from 9.04 percent in 2002 to less than five percent, and therefore no longer has to report its shareholding to the regulatory authorities. mg's free float – more than half of which is held by institutional investors, such as the five percent held by Capital International Ltd. – came to 61.3 percent at the end of 2003.

Section 15 a of the German Securities Trading Act (WpHG) states that executive and non-executive directors of publicly traded German companies are obliged to report immediately

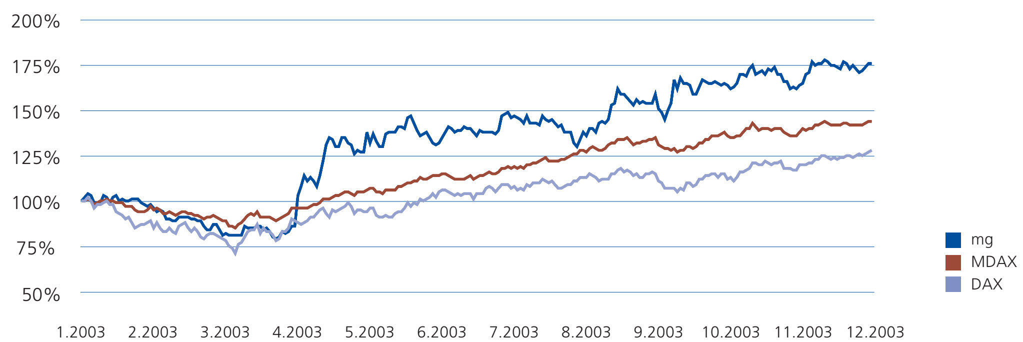
mg's shares – stockmarket indices

MDAX
HDAX
Midcap Market
Classic All Share
Prime All Share
CDAX
CDAX Industrial
Dow Jones Stoxx 300
Dow Jones Euro Stoxx 650
Dow Jones Stoxx Industrials
Dow Jones Euro Stoxx Industrials
MSCI Germany Small Cap
Dow Jones Sustainability Stoxx

shareholder structure



Performance of mg's share price against the DAX and MDAX



the buying and selling of their own company's securities to the German Financial Supervisory Authority (BAFin) and to the company itself if the total dealings in these securities exceed the aggregate value of €25,000 within a 30-day period. Spouses, registered life partners and immediate relatives of executive and non-executive directors are also subject to these reporting requirements. If the company receives such a report pursuant to section 15 a WpHG, it is obliged to publish it immediately. mg complies with this obligation by publishing such dealings on its website at www.mg-technologies.com.

Executive Board members of mg technologies ag held 10,000 shares (December 31, 2002: 43,717 shares) at December 31, 2003. At the same date they held 200,000 option rights to shares (December 31, 2002: 680,000). The Supervisory Board members held 40,074,371 shares (December 31, 2002: 1,500 shares). They held a total of 60,000 stock options (December 31, 2002: 60,000 options).

Equity Research on mg:

ABN Amro
Bankhaus Lampe
Bankhaus Metzler
Bankgesellschaft Berlin
Bayerische Landesbank
Baden-Württembergische Bank
Commerzbank
Crédit Agricole Indosuez Chevreux
Crédit Suisse First Boston
Deutsche Bank
Dresdner Kleinwort Wasserstein
DZ Bank
Delbrück Bethmann Maffei
Helaba Trust
HSBC Trinkaus & Burkhardt
HypoVereinsbank
ING BHF-Bank
Independent Research
Landesbank Baden Württemberg
MainFirst
M.M. Warburg
Sal. Oppenheim
UBS Warburg
Vereins- und Westbank
WestLB
WGZ-Bank

Earnings per share

Earnings per share – calculated as the net income for the year divided by the weighted-average number of mg shares in issue – came to a loss of €1.02 before discontinued operations in 2003. Earnings per share on discontinued operations amounted to a loss of €0.36.

No dividend paid due to one-off charges

As a result of substantial one-off charges, which caused mg technologies ag to report a net loss for 2003, the company will not be paying a dividend for 2003. The reasons for these substantial one-off charges were the risk provisioning for pre-existing problem contracts, principally in the industrial plant engineering business; the settlement of long-running lawsuits; and the disposal or discontinuation of loss-making businesses. They are also due to the cost of restructuring the mg Group and streamlining its organizational structures.

Investor relations activities strengthened

mg technologies ag believes it is essential to maintain a continuous, highly transparent dialog with the capital market. Against the background of the strategic restructuring initiated by the Group during 2003, investor relations is one of the key functions of mg's Executive Board. With the participation of its senior managers, the company conducted a number of road shows, conference calls and face-to-face meetings with representatives of the capital markets during the year under review. Furthermore, the company presented its activities and plans for strategic change at investors' conferences and to representatives of banks' equity trading departments. As in previous years, the regional focus of these events was on the financial centers of Frankfurt, London and New York. These activities helped win a number of new institutional investors for mg in the second half of 2003. mg's stock is now closely analyzed and evaluated by a number of domestic and international financial analysts.

In order to ensure that all shareholders are treated equally, mg technologies ag is stepping up its use of the internet as an integral part of its financial communications, particularly with private investors. All major company presentations and publications and all share-related information can be found at www.mg-technologies.com.

Changes in bond ratings

In October 2003, rating agencies Moody's and Fitch adjusted their ratings of the bond issued by mg technologies finance B.V. After Moody's had already switched its rating for mg 24 months previously to 'negative outlook', it then downgraded the company's debt from Baa3 to Ba1. Nonetheless, Moody's held out the prospect of an upgrade if mg manages to sell Dynamit Nobel successfully and makes headway with its planned cost-cutting program. Fitch also downgraded mg's debt from BBB to BBB-. However, the bond still enjoys an investment-grade rating from Fitch.

The downgrades' adverse impact on mg's cost of funds will be limited. The bond's coupon, which matures in July 2005, rose from 6.75 percent to 7.25 percent owing to the agreed step-up when the company's debt was downgraded.

mg technologies ag continues to believe that in 2004 it will be able to swiftly implement the initiatives it adopted and has already initiated as part of its strategic refocus. It anticipates that the capital raised from these measures and the improvement in its operating business will enable its debt to be upgraded when its rating is reviewed.

Key per-share figures

	2003	2001/2002
Number of shares in absolute terms (in millions)	194.4	193.3
Average number of shares (in millions)	193.8	192.3
Share price at Dec. 31 and Sep. 30 (in €)	11.10	6.51
Share price: High (in €)	11.20	13.90
Share price: Low (in €)	4.95	6.00
Market capitalization at Dec. 31 and Sep. 30 (in € billion)	2.16	1.25
Earnings per share (in €)	– 1.02	0.99
of which discontinued operations	– 0.36	0.05
Price/earnings ratio: High	– 10.98	14.04
Price/earnings ratio: Low	– 4.85	6.06
Share price/shareholders' equity ratio	1.30	1.31
Share price/cash flow ratio	0.71	0.93
Dividend (in €)	–	0.25

Scope for International

ization

As the world's population grows, so does the need for high-quality refined foodstuffs. The milking technology developed by WestfaliaSurge will help provide people in China with increasing quantities of milk. This GEA subsidiary is supplying 63 milking carousels to one of China's largest dairies in Inner Mongolia. GEA's first-rate technology offers safe processes and top-quality products for milk producers and processors around the world.

2003 was the year of mg's fundamental strategic reorganization

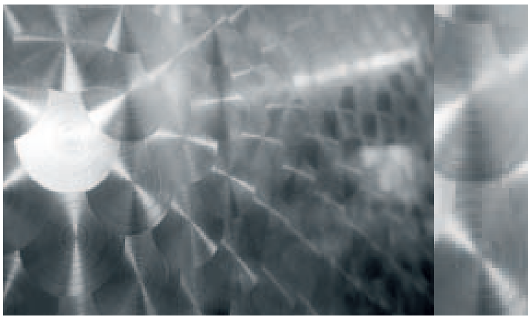
Following its Annual Shareholders' Meeting at the beginning of June 2003, the new management at mg technologies ag started to thoroughly reorganize its strategy. The first step was to conduct a comprehensive review of the business and its inherent risks. The main task here was to clean up the company's balance sheet and identify business potential. The findings of this review were as follows:

- mg's two-pronged strategy – based on its Engineering and Chemicals divisions – is strategically and financially no longer feasible.
- Without radical measures, the Group's excessive debt cannot be sufficiently reduced out of its free cash flow alone; it does not possess the resources needed to grow the business.
- The Group's structures – with their six holding companies and excessive costs – have to be adjusted.
- The industrial plant engineering business is proving a considerable drain on resources – not least because of huge problems caused by pre-existing contracts that need to be resolved.
- More conservative accounting policies need to be adopted and the Group's debt paid down in order to provide mg with a sound platform for profitable, dynamic growth.

Four cornerstones of mg's new strategy

On October 2, 2003, mg's Executive Board – with the backing of the Supervisory Board – decided on the key aspects of the restructuring program, which was initiated immediately. This reorganization also addresses the criticism leveled at mg by the financial markets, namely that it suffers from being an industrial conglomerate that has redundant, costly holding-company structures:

The Group's new structure will be centered on the activities of the GEA Group: specialty mechanical engineering, especially process engineering and components. The company will focus on the food, milk-processing, pharmaceutical and petrochemical industries.



The Chemicals division – comprising Dynamit Nobel and solvadis – will be sold for the best-possible price in 2004. This will pay down the Group's debt and place it on a sound footing for future expansion through organic growth and acquisitions.

In line with the new strategy, the current holding-company structures are being considerably simplified and streamlined. This will considerably improve our efficiency and cut costs in the short term.

A much leaner industrial plant engineering business – comprising the subsidiaries Lurgi, Lurgi Lentjes and Zimmer – rounds off the mg Group's new structure.

Swift implementation of initiatives in 2003

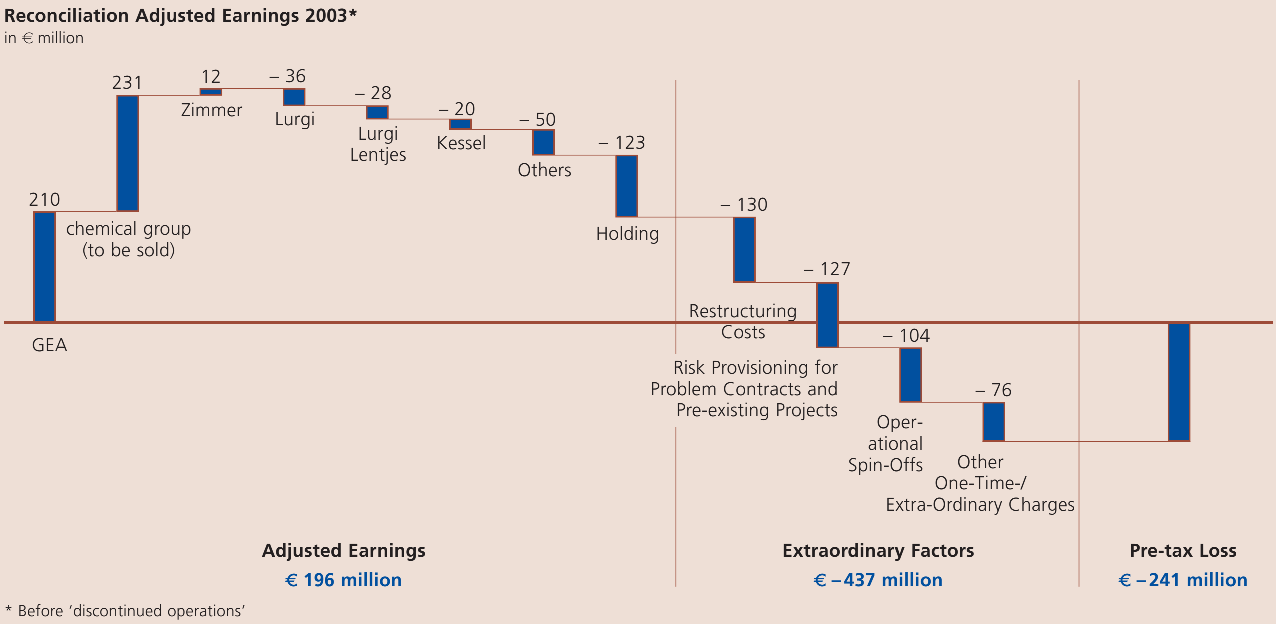
In October 2003, mg began the first stage of its restructuring by streamlining the Group's holding company and winding up the holding companies of Lurgi, Lurgi Lentjes and solvadis.

The launch of a competitive tender process for the Chemicals division involved approaching several potential bidders as early as November. The first indicative offers had been received in December. Chemicals trading company Safic-Alcan was sold with effect from January 2004.

The GEA Group, the future core of the mg Group, took the first steps towards optimizing its portfolio by acquiring Goedhart, the market leader in refrigeration, with effect from January 1, 2004.

Radical restructuring of industrial plant engineering begun

At the beginning of 2004, mg started to implement the second stage of its restructuring. The subgroups Lurgi and Lurgi Lentjes in the industrial plant engineering business play a key role in this strategy. This involves setting aside risk provisions for problem contracts, settling long-running lawsuits and adjusting capacities. It will also mean concentrating on proprietary technologies with sustainable market potential and being more selective in the acceptance of new business. These measures will help to substantially cut costs and, consequently, lower the break-even thresholds so that the industrial plant engineering business can be returned to profitability as quickly as possible in 2004/2005. This will involve cutting around 500 jobs by January 2006.



Earnings affected by one-off charges

mg reports a pre-tax loss of €241 million for 2003. This consolidated result was depressed by one-off charges totaling €437 million. These cover the cost of restructuring and reorganization; risk provisioning for pre-existing problem contracts, principally in the industrial plant engineering business; the settlement of long-running lawsuits; and the disposal or discontinuation of loss-making businesses. They also include the cost of refocusing the mg Group's strategy and streamlining its organizational structures. Excluding one-off charges, consolidated pre-tax earnings for 2003 would have been roughly €196 million. Thanks to their satisfactory performances, GEA and Dynamit Nobel each reported adjusted pre-tax earnings of over €200 million.

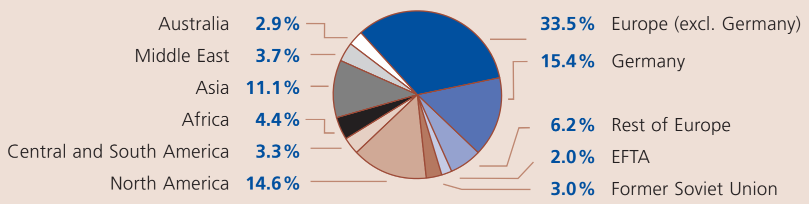
GEA to be merged with mg

In order to simplify the mg Group's structures, GEA is to be merged with mg with effect from January 1, 2005. This will necessitate squeezing out the GEA stock still held by small shareholders. mg's Executive Board initiated the necessary steps on February 23, 2004. In parallel, preparations are being made to merge the existing mg and GEA Group holding companies into one Group management in Bochum. This measure and the winding-up of the subgroups' holding companies will generate cost savings of approximately €120 million and make a substantial contribution to raising profitability.

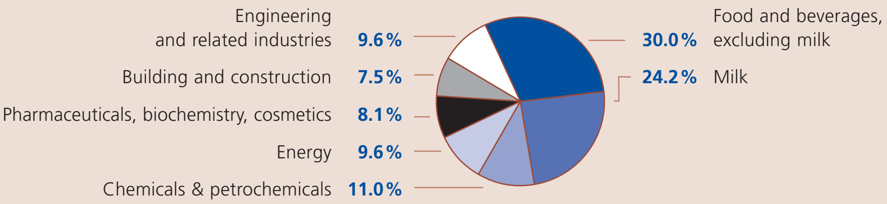
GEA extends its profitable market and technology leadership

GEA earned a return of 7.3 percent on sales of €2,702.0 million in 2003. In terms of market share, the company is either first or second worldwide in almost all of its businesses. It supplies technologically sophisticated machinery, components, systems and process plant to its customers around the world. Its major customers are the food, pharmaceutical and chemical industries. It plans to extend its technology leadership by spending an above-industry-average share of roughly five percent of its sales on research and development. Depending on business line, GEA already generates up to 70 percent of its sales from products that are less than three years old. The proceeds that mg earns on the disposal of its Chemicals division will provide it with the financial resources to invest even more heavily in fast-growing specialty mechanical-engineering businesses.

GEA's sales by region



GEA's sales by sector

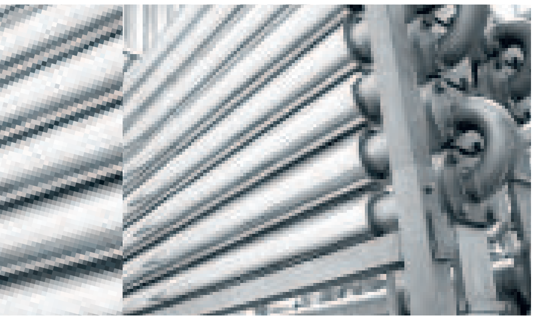


Streamlined industrial plant engineering business to become a highly efficient unit

Once the process of optimizing portfolios, risk provisioning for pre-existing projects and adjusting capacities has been completed, mg's industrial plant engineering business will become a highly efficient unit comprising Lurgi, Lurgi Lentjes and Zimmer.

Lurgi possesses huge potential in methanol and bio-fuels

Once Lurgi has wound up its holding company and merged the operating business units Lurgi Oil Gas Chemicals and Lurgi Life Science with Lurgi AG, its cost structure will be considerably improved. Discontinuing chronically unprofitable businesses in the field of life science, which right from the outset has spectacularly failed to meet expectations, will reduce the pressure on costs. Instead, Lurgi will focus in the future on proprietary technologies used to manufacture petrochemical products such as methanol, propylene and synthetic fuels based on natural gas. A further focal point of its activities will be the food business, which includes technologies used to manufacture bio-diesel and bio-ethanol from renewable resources. Lurgi is already the market and technology leader in all of these applications.



Lurgi Lentjes with a much leaner structure

The Lurgi Lentjes Group specializes in the environmental-engineering and energy business within mg's industrial plant engineering activities. Under the new structure, the two operating companies Lurgi Lentjes AG – including its waste-incineration, power-plant engineering and flue-gas desulfurization businesses – and Lurgi Bischoff GmbH – including its gas-cleaning activities – will be managed directly by mg technologies ag. The company will sell off its activities in the fields of flue-gas denitrification and dedusting as well as small industrial plant for the mono-incineration of sewage sludge. This restructuring of operating units will enable contracts to be handled more efficiently. Lurgi Lentjes possesses tried-and-tested proprietary technologies that hold out the prospect of sustainably profitable growth.

Zimmer achieves strong growth in east Asia

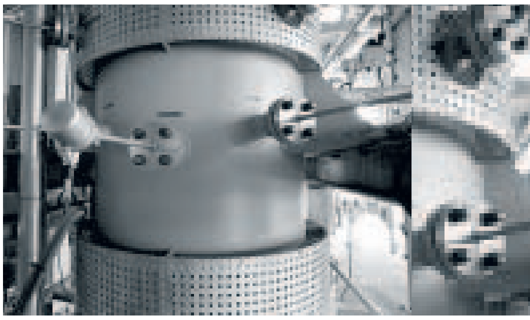
Zimmer is a globally active company specializing in the engineering of processes and industrial plant used to produce synthetic fibers and polymers. The company has been operating profitably for years. It has continued to optimize its structure by recently acquiring Fleissner, an engineering company, and expanding its product portfolio to include nonwovens. This provides Zimmer with further expansion opportunities for the future in addition to its strong potential in the synthetic-fiber market, especially in east Asia.

2004 will be the year of implementation

The current year will be the year of implementation for the mg Group. It will implement the disposal of its chemicals division, including Dynamit Nobel and solvadis. It will implement the many structural initiatives aimed at reducing its holding-company costs from approximately €170 million originally to around €50 million per year. And it will implement the restructuring of its industrial plant engineering business. However, its strategic review will have to continue in 2004. Although the majority of restructuring measures were initiated in 2003, minor after-effects of this optimization process cannot be totally ruled out.

Ambitious profitability and financial targets for 2005

By 2005, once its restructuring has been completed, mg will once again be able to grow – both organically and by acquisition. The mg Group's sales – even including the planned disposal of its Boiler Plant business unit – will then be in the order of €4.5 billion. Its profitability will increase substantially. Assuming the economic environment improves, its pre-tax return on sales should be raised to five percent. mg's management forecasts that GEA will earn an above-average return on sales in excess of eight percent. It aims to earn a return on sales of four to five per cent in its industrial plant engineering business. The disposal of Dynamit Nobel will sustainably strengthen shareholders' equity. Its net debt will be transformed into a net cash position that will be available for future growth by acquisition.



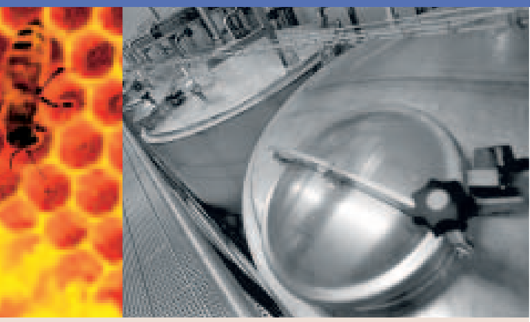
Enhancing shareholder value is the top priority

The prime objective of this restructuring is to sustainably enhance mg's shareholder value and to transform the company into a focused and highly profitable organization whose strong performance is rewarded by the capital markets. mg technologies ag is convinced that it has embarked upon the right course of action. The encouraging response from the capital markets and the strong performance of mg's share price in 2003 vindicate the company's strategy and provide an incentive to achieve its ambitious goals.

Scope for

Expansion

The pharmaceutical industry will continue to grow in the future. GEA, a reliable value-adding partner to its pharmaceutical and biotech customers, is benefiting from this trend. Its technology offering ranges from the batching and weighing of active and inactive ingredients to the granulation and drying stages, including pressing the finished tablets. As a global market leader in the cutting-edge process engineering used to produce solid drugs, GEA can count leading pharmaceutical corporations among its clientele.



SPECIALTY MECHANICAL ENGINEERING

GEA

As a technology leader in its markets, GEA AG develops and supplies sophisticated, mostly individually customized process lines, systems plant, and components throughout the world. It is either first or second worldwide in all the businesses in which it operates, the only exception being its air-treatment business, which only operates in Europe, where it is number two.

Structure: decentralized, flexible, customer-focused

GEA's business is split into seven divisions, each of which focuses on its core technologies: process engineering components, energy technology, air treatment, refrigeration, process engineering, mechanical separation, and dairy farm systems. Within each division, business units organized as medium-sized enterprises and run on a decentralized basis operate in their respective markets. This structure ensures a high degree of flexibility, swift market access and sharp client focus. GEA is therefore able to offer its customers in key markets one-stop technologies right along the value chain. One example of this is milk processing: GEA supplies the process engineering capability and the expertise – from the milking equipment and the cooling of fresh milk to the stage where the milk is processed into cream, cheese or powdered milk, including the extraction of valuable by-products such as calcium.

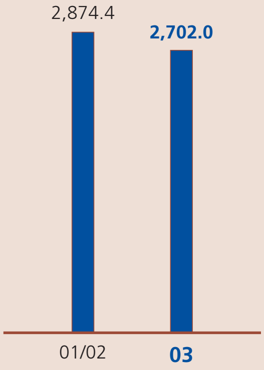
GEA's divisions

process engineering components	energy technology	air treatment	refrigeration	process engineering	mechanical separation	dairy farm systems
Heat exchangers, valves/pumps, homogenizers	Power plant and process cooling (dry/wet)	Air treatment equipment	Screw compressors, reciprocating compressors, refrigeration equipment	Industrial drying, thermal separation technology, liquid processing	Separators, decanters	Milking equipment, cooling tanks, services

Innovation: driving technology and quality leadership

The key to GEA's success is its leadership in technology and quality. The company invests heavily in innovation in order to provide its customers with a competitive advantage in the form of cutting-edge technology and efficiency improvements. Depending on business line, GEA already generates up to 70 percent of its sales from products that are less than three years old. Compared to its competitors, the company therefore occupies one of the top spots. Research and development and the encouragement of an innovative culture are two of the prime management functions at GEA. In its annual innovation competition, its various divisions compete against each other with their latest developments. The top three receive cash prizes that are added to the winning companies' R&D budgets.

Sales GEA
in € million



Main markets: future holds out prospect of stable growth

GEA's most important markets – accounting for around 60 percent of its sales – are the food, beverage, dairy, and pharmaceutical industries. These markets possess sustainable growth potential and are relatively non-cyclical. The growth drivers in these areas are the world's rapidly increasing population and its growing demand for foodstuffs and health-care as well as rising incomes, particularly in the emerging markets. Other key markets for GEA are the power-generating, chemical, petrochemical, construction and shipbuilding industries.

Food

Two of GEA's key markets are the food and milk-processing industries. In 2003, this mg subsidiary generated over half of its global sales of €2,702.0 million from these sectors.

As it is relatively immune to short-term developments, the food industry is one of the more stable sectors. In 2003, food sales in Germany grew by 2.3 percent; a further increase of 3.5 percent is forecast for 2004. The international food market is growing even faster than that in Germany. GEA is a leader in many areas of the food and beverage industry both in Germany and abroad, generating roughly 30 percent of its sales from this sector.

One example of GEA's outstanding market position is the beer industry: 20 percent of current global beer production of approximately 1.3 billion hectoliters is manufactured using equipment supplied by Tuchenhagen, a GEA subsidiary. Over half of global beer production includes Tuchenhagen components at some point in the production process. This position was further consolidated in 2003 when Westfalia Separator, Oelde, Germany, a GEA subsidiary specializing in centrifugal separation technology, signed a master services agreement in 2003 with the world's third-largest brewing group Interbrew, which sells brands such as Beck's in Germany and Efes in Turkey. The agreement covers all 65 breweries in the group. GEA's centrifuges ensure that the beer is clear rather than cloudy when it is poured out.

GEA is the world's undisputed leader in the field of industrial powder technology, with a market share of approximately 40 percent. Powdered household products – such as baby food, instant coffee, soups and washing powder – have to either be dry or to be dried so that they can be consumed and stored. Drying and powder processing are among the key processes used in the food industry as well as in the chemical, pharmaceutical and dairy industries. Danish firm Niro is the management holding company in the process-engineering division, which also supplies turnkey industrial plant for the production of powdered milk and instant coffee. 41 percent or 191,000 tonnes of global production of instant coffee totaling 467,000 tonnes is manufactured using freeze-drying and spray-drying plant supplied by Niro.

Milk

Last year, over 160 million cows worldwide produced roughly 500 million tonnes of milk. The milk produced by buffalo, goats, sheep, mares and camels brought this total to approximately 600 million tonnes. GEA is a major player in the market for milking technology, with a share of roughly 30 percent. Its subsidiary WestfaliaSurge is a leading manufacturer of milking equipment, milk-cooling equipment and dairy supplies, i.e. facilities for equipment cleaning, animal hygiene, spare parts, accessories as well as services and advice on milk production.

Milk production is on the increase: it is forecast to be 615 million tonnes in 2005. The volume of milk processing – to make yogurts, drinks and desserts, for example – is also growing. Every year approximately €1.6 billion is invested in milk-processing equipment, of which GEA holds a market share of approximately 12 percent.

The engineers at WestfaliaSurge know that a one-size-fits-all approach to milking is not sufficient. Due to their peculiar characteristics, for example, cows, goats, mares and buffalo need to be treated differently to camels. The order to supply milking equipment for the world's first dairy farm for camels, being built in Dubai in the Persian Gulf, was therefore a pioneering venture for the experts at WestfaliaSurge. Camels' milk tastes almost the same as cows' milk but, because it contains less than two percent fat, is much easier to digest and is practically already homogenized. In addition, camels' milk contains five times as much vitamin C as cows' milk. Camels' milk is also said to have highly beneficial properties for allergies, diabetes and neurodermatitis.

Although many consumers might find the idea of cows riding a carousel a bit unusual, it is now part of everyday life for many farmers. AUTOROTOR is the name of WestfaliaSurge's milking carousel, which can be used to milk up to 100 cows at the same time. China provided the GEA subsidiary with two of the largest orders in its history and the entire milking technology industry: for approximately €4 million it supplied 15 milking carousels, each capable of milking 48 cows, and 50 milk-cooling tanks to the Chinese province of Fujin. 63 milking carousels are being supplied to Inner Mongolia as part of an order worth €4.5 million. The customer for both orders is Changfu, one of China's largest dairies. The first 30 carousels are due to be delivered to Inner Mongolia by February 2004, and the rest will follow in the summer. The order comprises 61 milking carousels that can each milk 24 cows at the same time and two systems capable of milking 48 cows each. China's dairy market is growing at the rate of 30 percent per year.

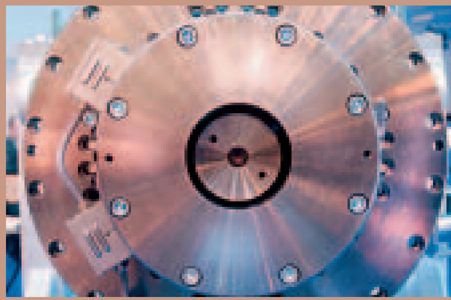
GEA subsidiary Tuchenhagen Dairy Systems won a major contract from the milk-processing industry. The company is building four new milk-processing production lines in Leppersdorf, eastern Germany. The customer for the order is Sachsenmilch AG. The contract comprises all engineering, assembly and commissioning services for the production lines. The first production line is scheduled to come on stream in April 2004, and three further lines are due to be added in August.

Pharmaceuticals

Healthcare – comprising pharmaceuticals, biotechnology and medical technology – is one of the economic growth engines of the 21st century. The reasons for this are growing populations, medical and technological advances, and greater life expectancy.

Over the past ten years, spending on medicines in Germany has risen by almost 40 percent to roughly €30 billion. The U.S. pharmaceutical market which, with sales worth the equivalent of roughly €150 billion in 2002, accounted for virtually half of the global market, has almost tripled over this period. And the sector continues to grow disproportionately by eight percent per year worldwide. In 2005, the size of this market is forecast to be at least €390 billion. The biotech industry will also expand strongly over the medium term. More than half of all newly approved drugs now come from the biotech industry.

As a value-adding partner to the pharmaceutical industry, GEA and its subsidiaries each occupy leading positions in their respective markets. Niro Pharma Systems is the global market leader in the cutting-edge process engineering used to produce solid medicines. Its technology offering ranges from the batching and weighing of active and inactive ingredients to the granulation and drying stages and the finished tablet. Its customers include almost all major companies in the pharmaceutical industry.



The MODUL tablet press produced by Niro Pharma Systems is not just new – it is revolutionary. Its use drastically cuts the cost of producing tablets. In the past, whenever the product was changed, tablet presses were out of action for between six and ten hours due to the complex cleaning process involved. An innovative compression module, which can be replaced by a clean module within 30 minutes, substantially reduces these downtimes and enables productivity to be raised by up to 50 percent.

Roughly 150 million people around the world suffer from the metabolic disorder diabetes. They have to inject themselves with insulin every day. In a few years' time, a newly developed process should enable patients to inhale insulin. Westfalia Separator's centrifuges play a key role in the production of insulin. All the world's leading insulin producers use this firm's separation technology.

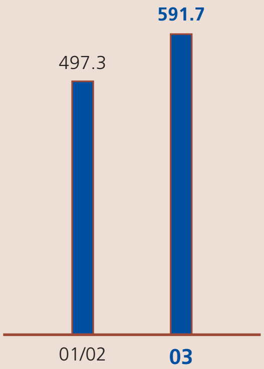
INDUSTRIAL PLANT ENGINEERING

Lurgi

Lurgi is a global technology leader in process engineering and plant engineering. Lurgi's strength lies in innovative technologies of the future focusing on client-oriented solutions for fast-growing markets. Its technology leadership is based on proprietary technologies and exclusive licensed technologies in product areas such as gas-to-petrochemicals, synthesis gas, methanol, synthetic fuels, petrochemicals, and renewable resources/food. In 2003, Lurgi applied for ten new patent families in Germany and as many as 19 outside Germany.

With a view to future development potential, Lurgi is concentrating on technologies in the gas-to-petrochemicals chain as well as synthetic fuels, sulfur management and exclusive licensing agreements in the field of petrochemicals. The market for methanol alone will grow by roughly two to three percent per year up to 2010. Between 60 and 70 percent of global methanol production is now based – or will shortly be based – on Lurgi's technology. This provides the mg subsidiary with a leading position in this market. Lurgi's second main area of activity is renewable resources/food, which covers technologies used to produce conventional products such as cooking oil, detergents, starching products and high fructose, as well as technologies used in the production of fuels and fuel components such as bio-diesel and bio-ethanol made from renewable resources such as rape, grain and sugar.

Sales Lurgi
in € million



In the past, plastic has been manufactured almost exclusively from crude oil. With its MTP® (methanol-to-propylene) process, Lurgi has devised a way of manufacturing the plastic polypropylene from gas. This is of particular interest to customers from the oil industry, because the extraction of crude oil produces substantial quantities of natural gas, which has traditionally been burnt off or recompressed. Lurgi's MTP® process initially turns this seemingly worthless gas into methanol. This methanol is then converted into propylene and then polypropylene, a useful value-added product. Polypropylene has many applications, for example it is used in the manufacture of kitchen appliances, car components, packaging and textile fibers. Demand for this innovative material is ballooning: consumption of polypropylene, currently around 35 million tonnes, is forecast to grow by roughly six percent per year to 52 million tonnes by the year 2010 as its market price continues to rise.

In 2003, Lurgi's MTP® process reached a major milestone: it managed to polymerize propylene manufactured using the MTP® process into polypropylene. This was the first time that polypropylene had been produced from gas instead of oil using this process. In conjunction with Lurgi's MegaMethanol® technology, which enables methanol to be produced cheaply, the MTP® process can in the future be used to process this raw material not only into polypropylene but also into further value-added petrochemical products.

Consumption of bio-fuels made from renewable resources is also on the increase around the world. Under a new directive issued by the European Union (EU), the proportion of bio-fuels used in the EU member states is set to rise to at least two percent. In the U.S., the addition of bio-ethanol is regulated by statutory quotas. The growing demand for alternative fuels is also creating a greater need for new industrial plant. This provides

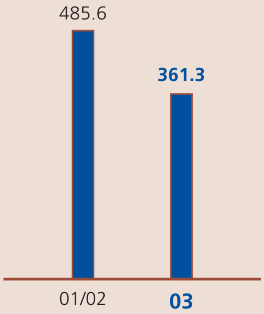
Lurgi with outstanding business prospects. Lurgi is an international leader in the construction of industrial plant used to manufacture oleochemical products from renewable resources.

Lurgi Lentjes

Lurgi Lentjes is a globally active group engaged in process engineering and plant engineering, and is a leader in its field. Its various companies plan, supply and build turnkey industrial plant, focusing on processes and technologies that convert residual waste and other waste materials into valuable energy resources, while at the same time keeping the air clean. This plant-engineering firm combines efficient waste disposal with advanced power generation, thus making a significant contribution to protecting the environment.

Lurgi Lentjes won a number of major orders in 2003, including the construction of a waste incineration plant on Guernsey, in the Channel Islands, as part of a contract worth €108 million. This plant will be used to extract energy from 72,000 tonnes of residual waste per year, which in the past has simply been dumped. Lurgi Lentjes won a contract to modernize a waste incineration plant and an adjoining thermal power station in Frankfurt am Main, Germany. This order is worth €167 million.

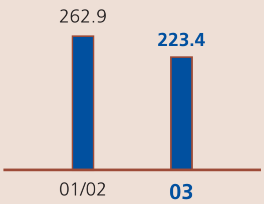
Sales Lurgi Lentjes
in € million



Zimmer

Zimmer specializes in the engineering of processes and industrial plant used to produce synthetic fibers and polymers, from Asia to South America. Zimmer is the world's market leader in plant engineering for polyester (PET) production. Around 25 percent of global PET production is based on Zimmer's technology. The manufacture of PET bottles is becoming increasingly important.

Sales Zimmer AG
in € million



PET bottles are light, handy and non-breakable, and the proportion of these bottles is growing constantly. Global PET consumption for bottles is set to grow by roughly ten percent per year until 2010. A particular growth segment is the market for PET bottles for beer, health drinks and hot or antiseptic liquids such as fruit juices. The company is already well positioned in this market. The development of new recipes and technologies enables PET made using Zimmer's plant to be used for the above products without any impairment of quality.

Zimmer is currently developing a new, ground-breaking technology in the field of PET bottle manufacture. This is based on a process in which the PET molten mass is used directly to produce preforms for bottles. This cuts out several stages in the process and the need to transport intermediates to the processing agent, thus reducing production costs by around ten percent.

Once the deal had been cleared by the German antitrust authorities on November 7, 2003, Zimmer acquired Fleissner GmbH & Co. Maschinenfabrik. Fleissner, an internationally active company founded as far back as 1848, is one of the world's leading manufacturers of components for staple-fiber plant and has a market share of approximately 35 percent. The company also builds high-performance plant for the production of nonwovens and high-tech rapid packager driers for the nonwovens, paper and tissue industries. This acquisition has provided Zimmer with expertise in the fast-growing business of nonwovens and enabled it to enhance its leading position in the field of staple-fiber plant.

mg chemical group

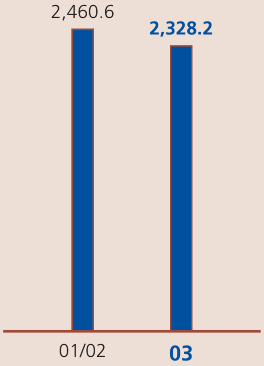
Dynamit Nobel

Dynamit Nobel, which forms part of the chemical group, now concentrates on chemicals and materials technology. This internationally active group supplies innovative specialty products to niche markets in several industrial sectors such as the pharmaceutical, cosmetics, chemical and automotive industries.

One of the key technologies and a fast-growing market of the 21st century, with annual growth rates of 15 to 20 percent, is nanotechnology. Dynamit Nobel already earns roughly €20 million from nano-products, which are found in highly effective sun protection creams, automobile paints, wood varnish and UV-protected film for the food and farming industries.

One new product to emerge from the research conducted by Sachtleben Chemie, a Duisburg-based subsidiary of Dynamit Nobel, is ‘dirtbusters’. Nano-fine pigments made from titanium dioxide create self-cleaning, dirt-repellent surfaces. The ultra-fine, specially treated titanium-dioxide particles convert light energy into chemical energy. This energy then oxidizes and destroys the dirt, so that the remains can easily be washed off with water. The nano-fine ‘dirtbusters’ are either added to high-quality paints and varnishes or applied directly to the surface as a solution. They are used on house walls, roof tiles and paving stones.

Sales Dynamit Nobel
in € million



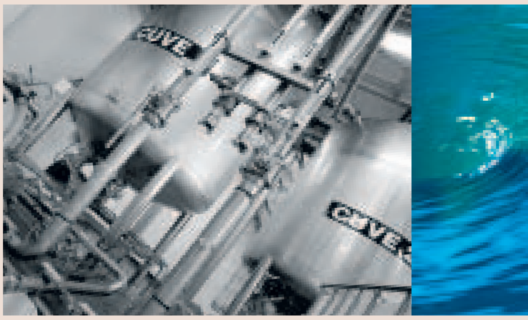
Dynamit Nobel’s sales of this pioneering technology are forecast to rise to €35 million by 2006 and to between €60 million and €80 million by 2010. The total volume of mg-relevant markets for nano-products is forecast to be between €500 million and €600 million by 2010.

Its business in medical technology based on advanced ceramics has also been highly successful. Dynamit Nobel subsidiary CeramTec is the world’s market leader in the manufacture of ceramic components for artificial hip joints. Roughly 18 percent of CeramTec’s sales stemmed from this fast-growing business in 2003. This amounted to a sales increase of over 30 percent on 2001/2002. Demand for ceramic components in medical equipment is growing rapidly. Ceramics are extremely strong, non-corrosive, very comfortable for patients, and exceptionally hard-wearing.

CeramTec expects to see further growth from the U.S. In 2003, the customer to which CeramTec supplies ceramic hip joints won approval from the Federal Drug Administration (FDA), the U.S. healthcare regulator, for ceramic hip joints. In this connection, the company was given approval to supply ceramic couplings to the American market. At present, only six percent of artificial limbs fitted in the U.S. are made of ceramics – they are usually still made of metal. In Germany, by contrast, the proportion is now 60 percent.

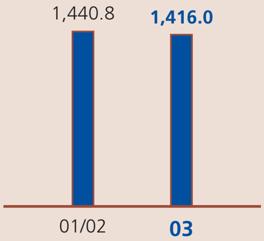
Clinical trials are now being conducted on artificial knee joints made from the new ceramic material BIOLOX delta. This material makes it possible to manufacture smaller implants and more complex shapes such as knee joints. The plan is to have BIOLOX delta ready to develop a new market by 2006.

Dynamit Nobel is also a globally recognized partner to the automotive industry, supplying plastic system components, ceramic components and processes used in the chemical pretreatment of metal parts, including complete car bodies. Chemetall, a Dynamit Nobel subsidiary, developed and brought to market SAM, a new technology that provides environmentally friendly protection against corrosion. 'SAM' stands for self-assembling molecules. This technology enables aluminum surfaces to be treated with self-assembling, monomolecular layers and allows manufacturers of car components, for example, to dispense with poisonous additives such as chrome that have traditionally been used. In 2003, Dynamit Nobel generated roughly 37 percent of its total sales from products for the automotive industry. In 2003, technologies produced by this mg subgroup were once again featured in numerous new products on display at the Frankfurt International Motor Show (IAA): these included multifunctional plastic bumper systems and new processes for improving corrosion protection. mg's customers include all major European carmakers as well as U.S. automotive giants General Motors and Ford.



solvadis

Sales solvadis
in € million



Part of solvadis' business involves trading in commodities such as sulfur and methanol. The other part of the business entails distributing chemicals. Distribution involves the speedy and error-free delivery of chemicals in small packing drums, containers, and tank trucks. solvadis also offers a wide spectrum ranging from the storage and distribution of industrial chemicals to the distribution of specialty products. These specialty products include solid chemicals, acids, alkaline solutions, and solvents. The main customers are the pharmaceutical, cosmetics and chemical industries, paint and varnish manufacturers, and the plastics processing and metalworking industries.

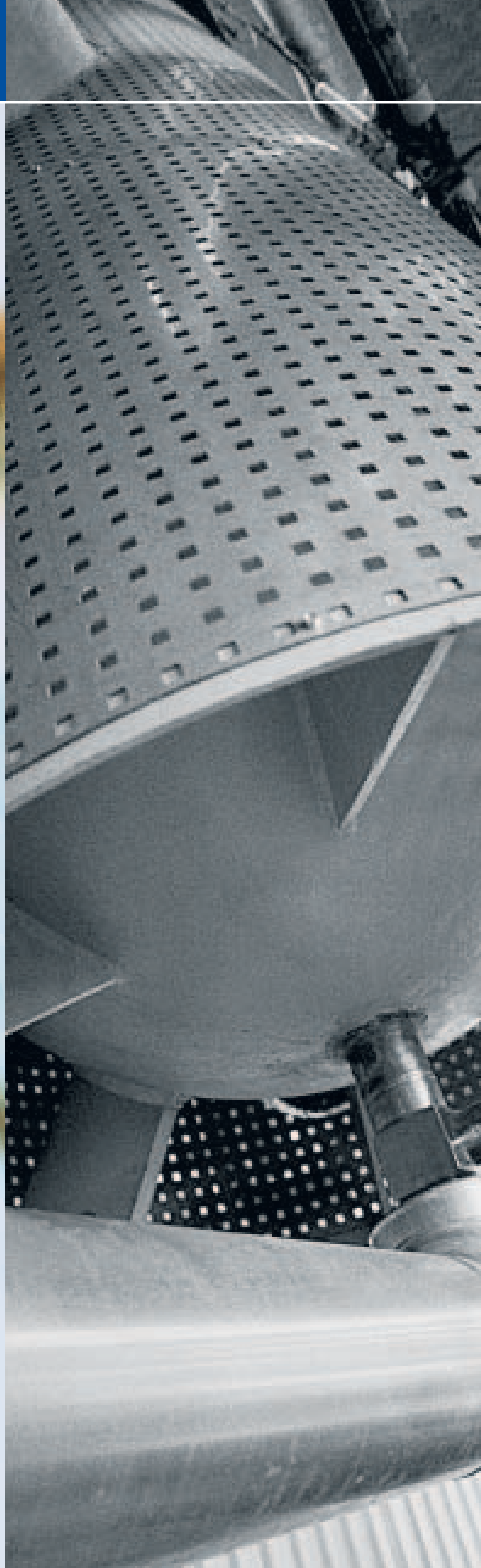
solvadis is one of the top three European companies in chemicals distribution. Although it operates internationally through the Chemworld Alliance together with U.S., U.K. and Asian partners, solvadis' activities are mainly centered on Europe.

Its Retailing unit markets liquid and solid elementary sulfur throughout northwestern Europe. Its customers include German gas producers and a number of oil companies that operate refineries in Europe.

Apart from sulfur, solvadis also trades in methanol, a key basic commodity for the chemical industry. Global consumption is currently around 28 million tonnes per year, and is on the increase. solvadis expects to sell approximately 320,000 tonnes of methanol in 2004.

Scope for

Innovation



For a technology-driven organization such as the mg Group, innovation is the lifeblood upon which its profitable growth depends. Innovation also helps secure the future – for example by conserving natural resources. Lurgi has devised an alternative method for manufacturing the ubiquitous plastic polypropylene from gas instead of oil, which is becoming an increasingly scarce commodity. Lurgi's process cuts consumption of resources and provides an efficient, future-proof way of meeting some of the growing demand for polypropylene by using gas.

PRELIMINARY COMMENT

Limited comparability; change in fiscal year

2003 saw the initiation of a comprehensive restructuring program in the mg Group based on the strategic refocus decided in October. This incurred substantial one-off charges. Because of these measures and the alignment of mg's fiscal year with the calendar year in the previous year, the company's net assets, financial position and results of operations can only be compared to a very limited extent with those of prior years.

After mg's fiscal year was aligned with the calendar year at December 31, 2002, the 2003 fiscal year now corresponds to the period from January 1 through December 31, 2003. For this reason, the 2003 fiscal year should technically be compared to the short 2002 fiscal year. In order to present the mg Group's financial results on a like-for-like basis, however, the management report contains the figures for the last full fiscal year of 2001/2002 (October 1, 2001 to September 30, 2002) as a basis for comparison. In other words, the comparative figures for the prior year mentioned in the management report – described as the 'corresponding' or 'comparative' prior-year period – always relate to the full 2001/2002 fiscal year. In the case of reporting-date-related figures – such as those shown in the balance sheet – however, the figures at December 31, 2003 are largely compared with the corresponding figures at December 31, 2002.

Discontinued operations

Having conducted a comprehensive review of the organization, mg's Executive Board decided in 2003 to concentrate the company's activities in the future on specialty mechanical engineering – especially process engineering and components – and plant engineering. In the wake of this review, preparations were made to sell mg's Chemicals division, along with Dynamit Nobel and solvadis. In accordance with SFAS 144, however, only the subgroup solvadis, the Boiler Plant strategic business unit, and some of the non-core activities of GEA and Dynamit Nobel have not been reported as 'continued operations' for 2003. Consequently, these businesses are shown separately as 'discontinued operations' in the statements of income for 2003 and for the short 2002 fiscal year. Dynamit Nobel is still included under 'continued operations' in the consolidated financial statements at December 31, 2003. In line with the fundamental principles of the 'Holzmüller' ruling by Germany's Federal Court of Justice, the Executive Board of mg technologies ag will seek the Annual Shareholders' Meeting's approval to sell Dynamit Nobel. Consequently, as of the balance sheet date Dynamit Nobel cannot be reported under 'discontinued operations' in accordance with SFAS 144.

Sarbanes-Oxley Act

In the past, the mg Group has reported its pre-tax earnings both including and excluding one-off items. Since the beginning of 2003, the company's policy has been to report only its 'pre-tax earnings', without any adjustments. However, one-off items incurred by the mg Group during the reporting and comparative periods will continue to be disclosed as additional information.

By adopting this practice, the mg Group is complying with the Conditions for Use of Non-GAAP Financial Measures, enacted in January 2003 by the Securities and Exchange Commission (SEC) and based on the Sarbanes-Oxley Act of 2002. These rules apply much more restrictive criteria to the publication of pro forma figures.

ECONOMIC ENVIRONMENT IN 2003

While the first half of 2003 was characterized by recessionary trends, there were signs in the third quarter of a gradual global economic recovery. This trend intensified towards the end of the year.

U.S. economy buoys global economy

Once again, the U.S. economy proved to be the engine driving the global economic recovery. The U.S. Department of Commerce calculated GDP growth of 3.1 percent for the world's largest economy in 2003.

The economies in Asia and eastern Europe continued to perform well. Japan's economic recovery continued throughout 2003. China managed to build on its strong economic performance of recent years, with growth of 9.1 percent.

Sluggish economic recovery in the euro-zone

The economic performance of the euro-zone was extremely sluggish in the first six months of 2003, a decisive turnaround setting in only around mid-year. According to Eurostat, however, economic growth in the euro zone came to only 0.4 percent for 2003 as a whole.

Germany showed signs of a tentative economic recovery towards the end of 2003, after its GDP had contracted in the second and third quarters. In the fourth quarter its GDP edged up by 0.2 percent. Despite these encouraging signs, the Federal Statistical Office calculated that German GDP for 2003 as a whole had contracted by 0.1 percent.

Engineering and chemical industries unsatisfactory

2003 was a disappointing year for the German engineering sector. At the end of August, the German Engineering Federation revised downwards its forecast for 2003, which in the fall had still been predicting just above zero growth for the year as a whole. Instead of stagnating, production fell by one percent in real terms in 2003.

The chemical industry performed sluggishly in 2003 after the sector was hit by weak demand and strong pressure on prices. The German Chemical Industry Federation (VCI) expects production in Germany to rise by only 0.5 percent in 2003.

Performance of mg-relevant markets varies

The performance of mg's key markets varied in 2003. The food industry, one of GEA's most important customers, can look back on an encouraging year. According to the Federation of German Food and Drink Industries (BVE), sales in Germany's fourth-largest industrial sector rose year on year by a nominal 2.3 percent in 2003.

The performance of the international dairy markets relevant to GEA's dairy farm systems business varied widely. While Germany and France showed signs of improvement on the previous year, dairy markets in the U.S. and parts of western Europe suffered from weak milk prices.

Unfazed by the generally poor performance of the chemical industry, the pharmaceutical sector continued to grow in 2003. According to the German Chemical Industry Federation, German pharmaceutical companies managed to raise their production by 3.5 percent in 2003.

Business activity in the automotive industry – a major customer for Dynamit Nobel – remained relatively low in its core European and U.S. markets in 2003. By contrast, Asia – particularly China – increased its production. According to the German Association of the Automotive Industry (VDA), the number of new car registrations stagnated in Germany, a total of 3.24 million cars being registered here in 2003.

Dollar continued to weaken

The dollar/euro exchange rate is of great importance to the currency translation and invoicing of a large proportion of mg's business activities. The U.S. dollar continued to weaken during the course of 2003. One euro cost an average of 1.13 dollars in 2003. The value of the euro had therefore increased by an average of roughly 20 percent year on year against the dollar.

SITUATION OF THE COMPANY

At the beginning of October 2003, mg technologies ag announced significant changes in its strategic positioning: the company has decided to concentrate in the future on specialty mechanical engineering – especially process engineering and components - and plant engineering. During the year under review, the company's performance was hit by the weak global economic environment. Its sales and earnings were also depressed by adverse currency developments resulting from the euro's strength (especially against the U.S. dollar). This situation was compounded by substantial one-off charges for pre-existing problem contracts in the industrial plant engineering business, the settlement of long-running lawsuits, and the disposal or discontinuation of loss-making businesses. These charges also include the cost of restructuring and reorganizing the mg Group.

Strategy

2003 was a year of radical strategic transformation for mg technologies ag. Following its Annual Shareholders' Meeting on June 3 last year, the company started to conduct a comprehensive review of its structures. This involved re-examining the Group's entire strategic position, which was based on the two pillars of engineering and chemicals. The aim of this strategy was to identify mg's potential and, consequently, provide a sound basis for profitable growth in the future.

Having presented the findings of this review and carefully considered all available options, mg's Executive Board announced the main points of the restructuring on October 2 last year. The next step was to start with the swift implementation of the measures adopted.

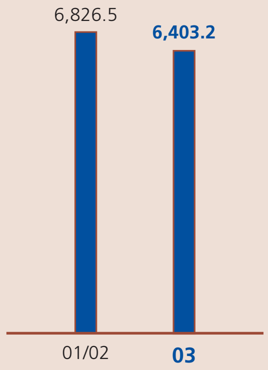
The key aspects of the company's new strategy are as follows: In the future, the new mg will concentrate on GEA's specialty mechanical engineering – especially process engineering and components – and on the heavily streamlined industrial plant engineering business including the subsidiaries Lurgi, Lurgi Lentjes and Zimmer.

The chemicals division – comprising Dynamit Nobel and solvadis – is due to be sold for the best-possible price in 2004. This will pay down the Group's debt and place it on a sound footing for future expansion through organic growth and acquisitions.

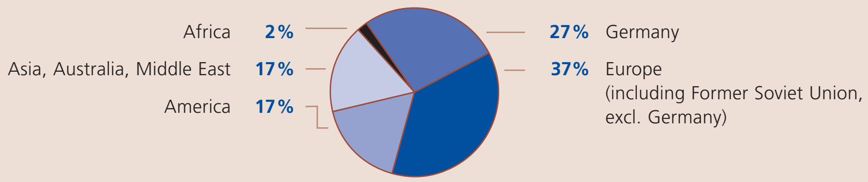
Industrial plant engineering is to be streamlined. Businesses with low profitability or a weak market position will be discontinued. Under new management, mg's activities in this field will concentrate more on pioneering technologies with sustainable market potential. The break-even thresholds of Lurgi and Lurgi Lentjes are to be considerably lowered. The plan is to ensure that the entire industrial plant engineering business returns to profitability as soon as possible by means of more stringent selection of new business, portfolio modifications and capacity adjustments.

In line with the new strategy, the current holding-company structures are being considerably simplified. This will considerably enhance mg's efficiency and improve its cost structure in the short term.

Consolidated sales after discontinued operations
in € million



Sales broken down by region after discontinued operations



Sales

Sales performance largely affected by economic conditions and exchange rates

The subgroup solvadis, which is due to be sold, the Boiler Plant business, and some of the non-core activities of GEA and Dynamit Nobel are shown as 'discontinued operations'. Consequently, the sales generated by these companies are not included in the consolidated sales figure. Because of this reclassification, the mg Group reports sales of €6,403.2 million for 2003 instead of €8,156.9 million. For the sake of comparability, the sales figures for 2001/2002 are also shown in this report excluding solvadis, the Boiler Plant business, and the non-core activities of GEA and Dynamit Nobel. On a comparable basis, the mg Group's sales thus fell from €6,826.5 million in 2001/2002 by €423.3 million to €6,403.2 million in 2003. The main reasons for this decline in sales revenue were lower volumes as a result of the economic downturn and adverse currency developments as a result of the euro's strength (especially against the U.S. dollar).

At €3,878.4 million, mg engineering's sales for 2003 (before consolidation) were €241.8 million lower than in 2001/2002. At €2,702.0 million, GEA's sales were €172.4 million lower than the in prior year. Lurgi's sales during the period under review rose by €94.4 million to €591.7 million. Lurgi Lentjes reported sales of €361.3 million, a decrease of €124.3 million. Zimmer generated sales of €223.4 million in 2003, €39.5 million less than in the comparable period of the prior year.

Dynamit Nobel achieved sales of €2,328.2 million in 2003, a decrease of €132.4 million on 2001/2002. The disposal of its ammunition business needs to be taken into account in this context.

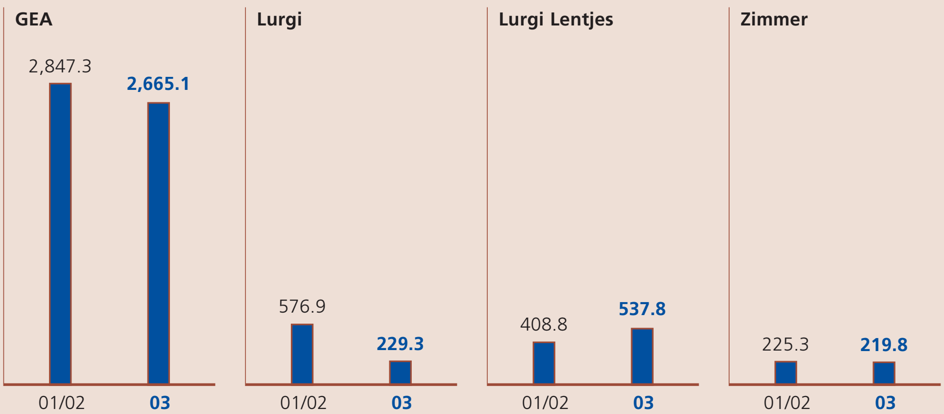
solvadis' sales contracted year on year by €24.8 million to €1,416.0 million.

New Orders and Order Books

Level of new orders and order book down due to sluggish capital spending

In 2003, mg engineering received new orders worth €3,652.0 million, a decrease of €405.8 million on 2001/2002. The main reason for this decrease was the cyclical lack of capital spending on big-ticket projects. This affected the subgroup Lurgi in particular. mg engineering's order book at December 31, 2003 came to €2,190.6 million. At December 31, 2002 its order book totaled €2,585.7 million. During the year under review, GEA received orders worth €2,665.1 million, which was €182.2 million down on 2001/2002. GEA thus reported an order book worth €890.9 million at December 31, 2003. At the end of 2002, its order book amounted to €1,016.6 million. Lurgi won new orders worth €229.3 million, a year-on-year decrease of €347.6 million. At December 31, 2003, the order book of this segment totaled €416.8 million. At December 31, 2002, its order book came to €744.8 million. The volume of new orders received by Lurgi Lentjes during the year under review came to €537.8 million. This was an increase of €129.5 million on the corresponding prior-year period. This subgroup's order book came to €645.9 million at December 31, 2003. It amounted to €596.6 million at the end of 2002. The new orders received by Zimmer fell slightly by €5.5 million to €219.8 million in 2003. The order book of this segment amounted to €237.0 million at December 31, 2003. At the end of 2002, Zimmer reported an order book worth €227.7 million.

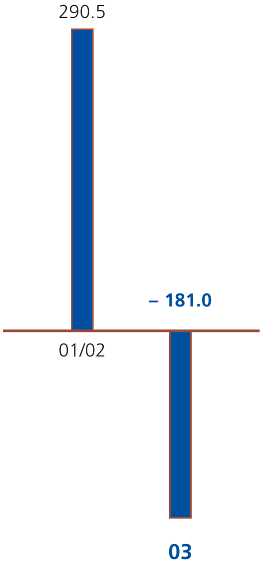
New orders received by mg engineering after discontinued operations
in € million



Net Assets, Financial Position and Results of Operations

Earnings depressed by lower sales, strong euro and one-off charges

Pre-tax earnings for the mg Group after discontinued operations
in € million



The mg Group's pre-tax earnings for its continued operations amounted to a loss of €181.0 million in 2003 after €290.5 million in 2001/2002. Because they were due to be sold, solvadis, the Boiler Plant strategic business unit, and the non-core activities of GEA and Dynamit Nobel that had either already been sold or were due to be sold are reported under 'Profit/loss on discontinued operations' in the consolidated statements of income. Including the pre-tax loss of €59.7 million attributable to these companies, the pre-tax earnings for the mg Group under its old structure would have amounted to a loss of €240.7 million. In 2001/2002, by contrast, pre-tax earnings of €320.3 million were reported.

If one compares the pre-tax loss of €240.7 million with the corresponding figure for 2001/2002, the change amounts to a decrease of €561.0 million. The reasons for this sharp decline in earnings were the fall in sales caused by the economic downturn, operating losses, and adverse currency trends as a result of the euro's strength (especially against the U.S. dollar). The deterioration in earnings was also caused to a large extent by substantial one-off charges. These cover the cost of restructuring and reorganization; risk provisioning charges for pre-existing problem contracts, principally in the industrial plant engineering business; the settlement of long-running lawsuits; and the disposal or discontinuation of loss-making businesses.

The restructuring costs of € –121.5 million (2001/2002: €26.1 million) reported separately in the consolidated statements of income essentially relate to the expenses incurred by the optimization of mg's holding-company structures and by capacity adjustments. The discontinued operations also incur restructuring costs of €8.4 million (2001/2002: €1.5 million), which are reported under 'Profit/loss on discontinued operations'.

Consolidated Statements of Income in Short

	1/1/2003 - 12/31/2003 € million	adjusted 10/1/2001 9/30/2002 € million
Gross margin	1,374.7	1,681.9
Earnings before income taxes and minority interests	– 181.0	290.5
Net loss/income	– 198.6	189.6
Profit/loss on continued operations		
thereof: consolidated net loss/income from continued operations	*– 128.1*	*180.0*
Basic earnings per share (in €)	– 1.02	0.99
Diluted earnings per share (in €)	– 1.02	0.97
Weighted average number of shares outstanding (in thousands)	193.8	192.3

In 2003, a loss of €63.0 million was also incurred on the sale and winding-up of the remaining activities of the Stahlbau Plauen strategic business unit, which was being closed down.

mg engineering's pre-tax earnings during the period under review (before consolidation) amounted to €1.3 million, a decrease of €251.7 million on 2001/2002. In 2003, GEA reported earnings of €196.7 million, €38.0 million less than in the corresponding period last year. Lurgi reported a loss of €75.7 million, a decrease of €84.0 million on 2001/2002. Lurgi Lentjes' earnings fell by €117.8 million to a loss of €124.1 million in 2003. Zimmer's earnings were €11.9 million down on the €16.3 million it reported in 2001/2002.

Dynamit Nobel reported pre-tax earnings of €187.7 million during the period under review, a decrease of €61.1 million on the corresponding period last year. The disposal of its ammunition business needs to be taken into account in this context.

solvadis' earnings contracted year on year by €35.0 million to a loss of €7.4 million. This figure includes the anticipated loss on the disposal of Safic-Alcan in January 2004.

Net loss incurred due to substantial one-off charges

The mg Group reports a net loss of €198.6 million for 2003, a decline of €388.2 million on 2001/2002. €69.6 million of this loss is attributable to discontinued operations operations (before minority interests). A profit of €12.2 million was reported for discontinued operations in 2001/2002.

Earnings per share reports a loss

Earnings per share – calculated as the net income for the year divided by the weighted-average number of mg shares in issue (193.8 million) – came to a loss of €1.02 per share due to the net loss reported in 2003.

Earnings per share was reduced by €0.36 as a result of the businesses reported as discontinued operations, which comprised solvadis, the Boiler Plant strategic business unit, and various non-core activities of GEA and Dynamit Nobel.

No dividend for 2003

mg technologies ag will not be paying a dividend for fiscal 2003 owing to the accumulated loss it has reported for this year.

Decline in return on sales and return on capital employed

mg's key performance indicators deteriorated sharply due to the pre-tax losses it reported. The return on sales (ROS) came to minus 2.8 percent in 2003 compared to a positive return of 4.3 percent in 2001/2002. The return on capital employed (ROCE) fell from 8.6 percent in 2001/2002 to minus 1.9 percent in 2003. The cash flow return on investment (CFROI) amounted to 2.1 percent during the period under review after 9.4 percent in the corresponding prior-year period.

Secure financing

Including discontinued operations, the balance sheet on the whole shows that mg's financing of its assets is well balanced. Liabilities to banks at the balance sheet date amounted to €843.8 million (December 31, 2002: €774.1 million); this figure includes €42.4 million for the first-time consolidation of four variable-interest entities in accordance with FIN 46r. Of these liabilities, €200.3 million will mature in 2004 and €470.1 million in 2005. Furthermore, the €300.0 million long-term bond issued by mg technologies finance B.V. will fall due in 2005. The proceeds from the disposal of mg's Chemicals division (Dynamit Nobel and solvadis), which is scheduled for 2004, will be used to repay these liabilities when they fall due. Total liabilities came to €3,068.4 million (December 31, 2002: €2,926.5 million). This figure includes the liabilities from discontinued operations of €429.7 million (December 31, 2002: €408.4 million). Cash and cash equivalents (including securities) totaled €184.1 million at the balance sheet date (December 31, 2002: €229.5 million). The gearing rate (ratio of net debt to shareholders' equity) came to 57.7 percent (December 31, 2002: 42.3 percent).

Consolidated Balance Sheets in Short

	12/31/2003 € million	adjusted 12/31/2002 € million
Assets		
Fixed Assets	3,091.0	3,105.9
Non-fixed assets	2,245.7	2,254.3
Assets from discontinued operations	466.1	556.9
Deferred taxes	876.8	748.9
Prepaid expenses	29.7	34.0
Total assets	**6,700.3**	**6,700.0**
Liabilities and shareholders' equity		
Shareholders' equity	1,663.8	1,991.2
Minority interests	41.1	42.0
Provisions and accrued liabilities	1,827.6	1,623.1
Liabilities	2,638.8	2,518.1
Liabilities from discontinued operations	429.7	408.4
Deferred taxes	61.9	66.6
Deferred income	37.4	50.6
Total liabilities excluding shareholders' equity	5,036.5	4,708.8
Total liabilities and shareholders' equity	**6,700.3**	**6,700.0**

Shareholders' equity

Shareholders' equity at December 31, 2003 decreased by €327.4 million to €1,663.8 million compared to the end of 2002. This was largely due to the consolidated net loss of €198.6 million reported for 2003. Furthermore, the dividends paid in the second quarter of 2003 for fiscal 2001/2002 (€48.3 million) and for the short 2002 fiscal year (€11.6 million) reduced shareholders' equity by an aggregate €59.9 million. In addition, the persistent weakness of the U.S. dollar and sterling caused shareholders' equity to contract further. The accumulated other comprehensive loss arising from currency translation increased by €70.1 million in 2003. Given that the volume of the mg Group's total assets remained virtually unchanged, the equity ratio amounted to 24.8 percent at the balance sheet date compared to 29.7 percent at December 31, 2002.

Cash flow and net position

Net cash provided by the operating activities of continued operations declined year on year by €41.5 million from €178.3 million to €136.8 million. Including the net loss of €198.6 million reported for 2003 (2001/2002: net income of €189.6 million), €69.6 million (2001/2002: profit of €12.2 million) of which was attributable to discontinued operations, however, net cash provided by operating activities fell only slightly. In particular, other provisions and accrued liabilities grew by €165.8 million on year-end 2002, mainly owing to the restructuring of the mg Group.

At €173.7 million, net cash used for investing activities remained virtually unchanged year on year (2001/2002: €178.9 million). Free cash flow came to an outflow of €36.9 million after an outflow of €0.6 million in 2001/2002.

Net purchases of financial liabilities amounted to €48.0 million. The payment of dividends for 2001/2002 and for the short 2002 fiscal year led to a cash outflow of €59.9 million. Net cash used for financing activities totaled €10.3 million.

In particular proceeds from the disposal of discontinued non-core operations of GEA and Dynamit Nobel and changes in the net assets of discontinued operations led to a reduction of only €1.3 million in unrestricted cash and cash equivalents. Cash and cash equivalents, as reported on the balance sheet, grew by €6.7 million compared to year-end 2002. The settlement of the Customer Cases II lawsuit has tied up restricted cash and cash equivalents.

The net position decreased on year-end 2002 by €117.1 million to minus €959.7 million. Liabilities to banks increased by €42.4 million as a result of the first-time consolidation of four variable-interest entities in accordance with FIN 46r. At the same time, lease liabilities fell by €27.9 million. Including these purely accounting-related effects and the total dividends of €59.9 million paid in 2003, the net position of minus €857.4 million remained almost unchanged on year-end 2002 (minus €842.6 million).

Capital Expenditure

The mg Group invested a total of €292.8 million after discontinued operations. This was an increase of €26.1 million on the prior year. Capital spending on property, plant and equipment (including capital leases) came to €259.5 million, €6.9 million more than in 2001/2002.

Purchases of companies and businesses in 2003 came to €33.3 million, €19.3 million more than in 2001/2002. A large proportion of this amount was spent by Zimmer on its acquisition of Fleissner, an engineering company. In acquiring this firm, the mg subgroup – which is engaged in industrial plant engineering – plans to extend its global market leadership in the field of staple fiber plant and to add the fast-growing nonwovens business to its product portfolio.

Procurement

Procurement restructured

With the globalization of competition, it is becoming increasingly important for companies to constantly review their cost of materials and procurement. In order to make its purchasing of materials and services even more efficient, customer-focused and flexible, the mg Group restructured its global purchasing activities in 2003.

Implementation of a commodity management system

mg technologies ag is currently implementing a decentralized commodity management system. Lead buyers at the various operating companies are responsible for organizing and managing the procurement of technical components such as pumps, drive systems, and valves on a decentralized basis. Each lead buyer has Group-wide responsibility for procuring a particular group of products. The buyers work closely with technical units, which then integrate the respective product into their processes. They are involved right from the outset in new development projects. By virtue of their proximity to technical processes and developments, the lead buyers can apply a consistent value-analysis process to examine whether alternative materials or components could be used that are cheaper while offering the same quality.

mg identifies further cost-cutting potential by using design-to-cost projects, which start right at the product-development stage. Under these projects, development processes are carried out on the basis of fixed cost targets.

One-stop procurement of services

mg's global sourcing activities, which in the past have covered all procurement operations for the mg Group, will in the future concentrate on purchasing in non-technical areas such as telecommunications, vehicle fleets, personnel leasing, IT and other services. The bundling of activities in these areas will enable mg to sign Group-wide framework agreements and will enable it to obtain much more favorable rates on its purchases.

Production

The mg Group operates in each of its markets through decentrally managed operating business units, as this structure provides it with a high degree of flexibility and customer focus.

The various production strategies are strictly geared to customer requirements and the respective market structure. The spectrum ranges from products individually produced to order via line and batch production to flexible manufacturing cells. mg is constantly reviewing its production parameters to ensure it meets the highest standards of performance and efficiency. Key benchmarks include through-put times, productivity by area, zero-error production, and the ability to meet customers' just-in-time and just-in-sequence requirements.

In Sarstedt, in the Netherlands, GEA Ecoflex GmbH, which specializes in the manufacture and development of plate heat exchangers, built a new workshop and a new pressing line for the production of heat exchangers. This will enable the company to expand its production capacities substantially and to set new standards in the industrial production of plate heat exchangers: the new pressing line, which has 15,000 tonnes of stamping power, is generally regarded as one of the most modern of its kind in the world. By committing this level of investment, the GEA subsidiary plans to grow its share of the global market and further improve the quality of its products.

GEA's air-treatment business successfully completed the restructuring of its production activities. It concentrated a large proportion of its production facilities for industrial air-treatment equipment at Liberec in the Czech Republic, where GEA already manufactures air-treatment equipment. The concentration of its production capacities in Liberec will enable it to reap synergies and enhance its competitiveness. By expanding its production facilities in eastern Europe, GEA's air-treatment business is also responding to the growing demand in this region.

Under the umbrella of Dynamic Synthesis, Dynamit Nobel is making significant advances in the production of active ingredients for pharmaceuticals. For the pharmaceutical industry, it develops intermediates and active ingredients that are produced in complex chemical reactions.

During the period under review, the special-chemistry business in Leverkusen, Germany, increased its capacities for the production of pharmaceutical active ingredients based on azide chemistry.

In order to significantly increase its production capacities for the extraction of active-ingredient molecules, Dynamit Nobel invested over €11 million in the refurbishment of a multi-column chromatography (MCC) plant at Finorga's site in Mourenx, France. This is one of Finorga's proprietary technologies, which is used to separate identically structured molecules with varying effects according to type. These molecules – so-called 'enantiomers' – are found in roughly 75 percent of all newly developed drugs. They are used, for example, in medicines for the treatment of depression. By continuing to expand its technological and production capabilities, Dynamit Nobel remains an important value-adding partner to the pharmaceutical industry.

Environmental Protection

The mg Group acts responsibly in helping to shape the future. In doing so, it realizes that there is no inherent contradiction between environmental interests and commercial objectives. Its holistic corporate philosophy, which is geared to sustainability, aims to enhance shareholder value over the long term at the same time as meeting ecological criteria. And the company has set itself exacting standards here: many of the measures it has implemented to protect the environment go beyond what is required by law. Cutting-edge, production-integrated environmental protection, conservation of resources, integrated materials management, and comprehensive health and safety regulations are a matter of course at all companies in the mg Group engaged in manufacturing activities.

Proactive environmental management

Environmental management plays a key role at GEA's production sites. For many years now, production waste here has been sorted and recycled wherever possible. Air filters, the preparation of process liquids, and storage tanks are used to minimize the impact on the environment. The effectiveness of these measures is evidenced by a number of environmental certifications to DIN EN ISO 14001 standard.

Dynamit Nobel also regards environmental protection and safety as an integral part of its corporate philosophy. An outstanding example of this approach is the Duisburg-based Sachtleben Chemie. This Dynamit Nobel subsidiary's holistic management system views protection of the environment as being equally important as issues such as quality, health and safety. Contracting parties and suppliers are also integrated into this system and are required to comply with stringent environmental and safety standards. In addition, employees specially trained in matters of environmental protection and health & safety issues constantly monitor compliance with environmental standards. At the company's site in Duisburg, for example, all significant emissions are measured around the clock as soon as they leave the chimneys using highly sensitive equipment, and the relevant values are forwarded immediately by data line to the national environmental agency.

Environmentally friendly processes and products

In addition to its proprietary production processes, the mg Group ensures that the services it provides to its customers comply with environmental protection standards. Its products and innovative processes combine efficiency with optimum environmental compatibility.

Many of the technologies produced by GEA's Mechanical Separation division are used to conserve and protect natural resources. Large decanters are used to thicken and dehydrate sewage sludge. These centrifuges are used, for example, in Changi, Singapore. One of the world's largest and most modern sewage-treatment plants is being built here on a site covering 54 hectares. Once it has been completed in 2008, the plant will be able to purify roughly 800,000 m^3 of water per day.

GEA's air-treatment business: air-conditioning using water

This division responded to the growing market for small commercial and private air-conditioning systems by developing GEA acqua. This water-based and, therefore, environmentally friendly air-conditioning system for offices or homes can be connected to the heating system and is easy for any heating engineer to install. Its market launch has been promising so far. This technology enables GEA to reach an additional customer segment: the end-consumer.

GEA's spray dryers keep the air clean

GEA's spray dryers are also used to protect the environment. Although they are really intended to be used to produce powder, they are also used worldwide in power plants and waste incineration plants to clean flue gas. Absorption through spray drying is cheap, reliable and complies with the most stringent emissions protection legislation.

Lurgi: technology for the production of alternative fuels

Lurgi's industrial plant is used to produce bio-diesel and bio-ethanol from renewable resources such as rape and grain. Both of these fuels are environmentally friendly alternatives to conventional gasoline and diesel and help to drastically cut carbon dioxide emissions. Lurgi is the global market leader in the construction of plant for the production of methanol from gas. Lurgi's technologies are used to process the liquid inexpensively into environmentally friendly fuels and fuel additives.

Lurgi Lentjes' plant converts residual waste and other waste materials into valuable energy

Lurgi Lentjes builds industrial plant that is used to efficiently convert residual waste and other waste materials into valuable energy. Proprietary flue-gas-cleaning processes ensure that statutory limits on emissions are not exceeded.

Dynamit Nobel: innovative processes protect the environment

The companies in the mg chemical group also make a valuable contribution to protecting the environment. Dynamit Nobel subsidiary Chemetall, for example, offers its customers innovative processes that are designed to provide better protection against corrosion of metal surfaces and do not use harmful heavy metals such as chrome. During the year under review, Dynamit Nobel's plastics business started to modernize and retool all of the painting plants at its European sites in order to further cut the level of emissions.

Research & Development

Operating in an environment of perpetual competition, a technology-driven organization such as the mg Group relies on innovation for its future growth and commercial success. The company therefore invests heavily in research and development. This includes efficient innovation management and a forward-looking culture of innovation. As a result, mg technologies ag is one of the market and technology leaders in 90 percent of its businesses, generating almost half of its sales from products that are no more than three years old.

The mg Group continued to spend a considerable amount on research and development in 2003, investing €204.8 million. This was a decrease of €33.3 million on the corresponding period of last year and accounted for 3.2 percent of total sales (roughly 3.5 percent in 2001/2002). It applied for 186 patents in 2003, having applied for 179 in 2001/2002.

In 2003, GEA spent approximately €31 million – 1.2 percent of the GEA Group's total sales – on proprietary research and development projects. Including development projects conducted in close cooperation with GEA customers and in connection with specific customer contracts, the total proportion of its sales spent by GEA on research and development comes to around five percent. Depending on business line, GEA already generates up to 70 percent of its sales from products that are less than three years old.

GEA: innovation that adds value

The Mechanical Separation division developed and brought to market its Protein-Plus system. This enables significantly more protein to be extracted from milk. Because the system does not have to be emptied as frequently as before, its availability is improved. A further environmental benefit is that the system saves up to 600,000 liters of water per year. This provides customers with added value worth tens of thousands of euros in total per machine per year. The system's modular construction also means that separators already in use can be upgraded.

GEA's Refrigeration division continued to make advances in the use of environmentally friendly refrigerants, especially those that are not harmful to the climate. GEA's engineers devised a new patented process for the efficient use of carbon dioxide in conjunction with ammonia for low-temperature applications. The company extended its range of screw compressors with the launch of a new product line. These compressors are mainly installed when environmentally friendly ammonia is used as a refrigerant. This division is therefore well-equipped to meet the needs of the market and offers its customers tailor-made solutions for their preferred application using the most suitable, environmentally friendly refrigerant.

Lurgi: plastic made from gas

During the period under review, Lurgi's research and development activities focused mainly on its fast-growing gas-to-petrochemicals business. As a market and technology leader, Lurgi offers its customers innovative, inexpensive and resource-saving processes for converting natural gas into value-added chemical and petrochemical products. Under this process, gas is first converted into synthesis gas. The next stage is to turn the synthesis gas into methanol, from which petrochemical products such as plastics and synthetic fuels are finally extracted.

Traditionally these products are manufactured from crude oil, which is an increasingly scarce and relatively expensive resource. Lurgi's continuous expansion of its alternative and extremely efficient gas-to-petrochemicals and gas-to-synfuels technologies provides this plant engineering firm with outstanding business prospects.

At a newly built HP POX high-pressure synthesis-gas research facility on the premises of the Freiberg University of Mining and Technology in eastern Germany, Lurgi's engineers are working with scientists from the Institute of Energy Process Engineering and Chemical Engineering on the optimization of proprietary Lurgi processes for the production of synthesis gas. Their aim is to use extremely high pressure to convert gas and other commodities, such as hydrocarbons, even more efficiently and economically into synthesis gas before this is refined into methanol and other petrochemical products. This offers considerable competitive advantages for Lurgi's customers, as it substantially reduces plant operating costs.

Lurgi Lentjes: optimization of proprietary processes lowers costs

As a specialist in environmentally friendly processes for thermal waste disposal, Lurgi Lentjes continued to optimize its processes for the incineration of waste. During this time, Lurgi Lentjes engineers gained valuable insights into the mechanism by which nitrogen oxides are formed. These findings are now being translated to an industrial scale. The company believes this will considerably reduce the cost of running waste disposal plants. Once it has successfully optimized its proprietary processes, Lurgi Lentjes will be able to offer a simplified, more compact form of flue-gas desulfurization plants that will generate further cost savings in this product area.

Zimmer: cutting the cost of producing PET bottles

Zimmer is currently developing a new process for manufacturing PET bottles, a rapidly growing market. This process facilitates the direct production of bottle preforms from the PET polymer without the need to produce granules. Because this process has fewer stages and does not involve transporting intermediates to the processing agent, it reduces production costs by around ten percent.

Dynamit Nobel: successful development projects in all businesses

Chemetall’s specialty chemicals business developed and brought to market its Cerate process, an environmentally friendly way of protecting aluminum surfaces against corrosion. In the past, such surfaces have been protected against corrosion using highly-toxic chromic acid. Chemetall’s chrome-free process protects aluminum against environmental influences and optimizes the paint's adhesiveness.

Dynamit Nobel’s plastics business focused on developing its so-called hybrid technology, which is used in the automotive industry. This process uses plastic-metal compounds as stabilizers in the front section of cars. This mix of materials is much lighter than conventional stabilizing elements made of metal. The hybrid construction reduces the vehicle’s weight and fuel consumption.

In the growth area of nanotechnology, researchers at Sachtleben Chemie have developed a new generation of nano-particles for a new field of application: nano-fine pigments made of titanium dioxide make it possible to produce self-cleaning, dirt-repellent surfaces. They are used, for example, on house walls, roof tiles and paving stones. Experiments have shown that as dirt does not stick to surfaces coated with titanium-dioxide pigments, it is easy to rinse it off with water. The nanoparticles are either added to high-quality paints and varnishes or applied directly to the surface as a solution.

As part of a development project funded by the European Union, Dynamit Nobel’s advanced-ceramics business is working on the development of a ceramic material for use in medical equipment.

Organization and Structure

The mg Group is organized on a decentralized basis and managed by mg technologies ag as a strategic management holding company. The latter's main task is to run the Group by setting concrete targets, and to optimize the Group's portfolio. Until the end of 2003, the structure of the mg Group was based on its core competencies of engineering and chemicals. The management holding companies of mg engineering and the mg chemical group – with the exception of Zimmer AG, which is an operating company – were in turn managed by holding companies, which are affiliated to mg technologies ag.

In announcing its decision in October 2003 to refocus its strategy on specialty mechanical engineering and plant engineering, mg decided to discontinue its two-pronged strategy. The chemicals division – comprising Dynamit Nobel and solvadis – is due to be sold in 2004. In the future, the mg Group will therefore consist of the GEA Group plus Lurgi, Lurgi Lentjes and Zimmer, which are engaged in industrial plant engineering. The Group's holding company will retain responsibility for strategic aspects and – in order to improve efficiency throughout the Group – will coordinate cross-cutting functions.

Streamlining the Group's structure

The mg Group's focus on one sector will substantially streamline what has to date been a complex organizational structure. It has already started to wind up the holding companies of Lurgi, Lurgi Lentjes and solvadis. The intention here is to integrate the business operations of Lurgi and Lurgi Lentjes with mg technologies ag. There are also plans to merge the Group's Frankfurt-based holding company with the holding company of GEA AG in Bochum. These measures will generate cost savings in excess of €100 million and make a substantial contribution to raising profitability. The Group's new structure will also ensure more flexibility, greater transparency, and the dismantling of bureaucratic barriers within the Group network.

Market- and customer-focused operating business

mg technologies ag has hived off its operating business into decentralized strategic business units (SBUs), which are organized as medium-sized enterprises and cater for specific markets. This form of structure ensures a high degree of flexibility, swift market access and sharp client focus. Furthermore, the operating units benefit from their membership of a large corporate group, which often enables them to exploit synergies and transfer know-how between the individual operating companies.

Internally, the business units are run like independent enterprises: market- and competition-specific targets are set as part of a strategic planning process. In addition, each unit prepares its own balance sheet and statement of income. An ongoing monitoring process then verifies whether these targets are being achieved and strategic measures are being implemented.

RISK REPORT

Risk management system

The mg Group's global reach exposes it to numerous risks that are inseparable from its business activity. It is crucial to the Group's commercial success that it should expose itself only to risks that are quantifiable and that are adequately rewarded by the rate of return it achieves. The Group's Executive Board has adopted the following principles of risk-aware corporate management, enshrining them in a risk manual that is distributed throughout the Group:

- The achievement of commercial success necessarily entails risk.
- No action or decision may involve exposure to a risk that threatens the continued existence of the Group.
- Risks must be rewarded by appropriate returns.
- Risks must be avoided to the maximum extent possible.
- Unavoidable risks must be hedged to the maximum extent that is commercially justifiable.
- Residual risks must be controlled using risk management mechanisms.

The mg Group has established a risk management system to identify, monitor and control risks. Its purpose is to ensure that the Executive Board and Supervisory Board of mg technologies ag are informed in a timely fashion of the possible risk of future developments and are thus in a position to take the appropriate preventive action.

In addition to a Group-wide controlling system with fully consolidated budget accounts, monthly consolidated financial statements and regular discussions of business performance at review meetings, there are also Risk Assessment and Advisory Committees (RAACs) with responsibility for detecting risks in advance. These committees identify, structure and analyze risks and devise countermeasures.

mg's risk management system therefore not only provides protection against risks jeopardizing the continued existence of the company as prescribed in the German Control and Transparency of Companies Act (KonTraG). It is also designed to identify in advance any risks that could significantly impair the Group's earnings position. In 2003, mg's risk management system underwent internal audits in order to ensure the effectiveness of the risk management function.

Furthermore, in 2003 the Executive Board engaged two auditing firms to examine the findings of the internal risk management process and to compile a risk inventory. The findings of this review confirmed the surveillance system's ability to identify potential risks at an early stage.

At present there is no evidence of any risks that might jeopardize the continued existence of the mg Group as a going concern. Adequate provision was made for all risks discernible in day-to-day business when the consolidated financial statements were prepared, insofar as the risks concerned were subject to reporting requirements. The following section contains details of risks in specific areas.

External risks

Risks arising from the economic environment

The leading economic research institutes are predicting that the global economy will bounce back in 2004. The U.S., in particular, is expected to achieve strong growth. In Europe, the eastward enlargement of the EU on May 1 of this year will have a major impact on the performance of the economy. Whereas the recovery of the global economy is likely to provide a fillip for the mg Group, the EU's eastward enlargement presents both opportunities and risks: although it provides the chance to open up new markets, the accession of further countries could intensify competition.

Sectoral risks

With its strategic business units (SBUs), the mg Group serves a number of specialized niche markets, each of them subject to differing demand and innovation cycles. Risks specific to certain sectors and regions may thus have an adverse effect on the profits of individual strategic business units, but may have only a limited impact on the results of the Group as a whole.

The EU Commission is currently planning to amend all legislation on chemicals, and this will be summarized in its White Book. The legislation under discussion would mean that chemicals that had been on the market for years would be subject to new registration and approval processes. The cost of such registration and approval would be borne by the respective producers and end-users. If this legislation is adopted, European chemical companies would be saddled with additional costs that would damage the competitiveness of the European chemical industry compared to the rest of the world. The mg Group estimates that this would cost its chemicals business tens of millions of euros extra over the first three years after the new laws are implemented.

Legal risks

The legal action taken by a group of former customers of MG Refining & Marketing alleging a breach of contractual obligations arising from oil transactions in 1993 (Customer Cases II) was settled in 2003. This settlement had no impact on mg's financial results during the year under review.

Furthermore, the application filed by shareholder Dr. Otto Happel for the court to appoint a special auditor pursuant to section 142 of the German Joint Stock Corporation Act (AktG) was withdrawn in the appellate instance by mutual agreement.

In connection with the conclusion of the control and profit-transfer agreement between mg technologies ag and GEA AG, an appeal is pending regarding the appropriateness of the exchange offer made to shareholders of GEA AG.

In September 1998, an mg Group company won a contract from a young company to work as general contractor on the construction of industrial plant for the recycling of old carpets containing polyamide; it subcontracted a large part of the construction work to another mg Group company. Both Group companies acquired minority shareholdings in the customer at the insistence of the customer's majority shareholder and the lead bank in the banking syndicate financing the deal. The plant was delivered to the customer on September 10, 2002. Subsequently, the customer's financial position deteriorated rapidly. In February/March 2003, the shareholders and the banks financing the deal first accused the mg Group companies concerned of having failed to comply with the regulations on post-formation acquisitions stipulated in the German Joint Stock Corporation Act (AktG), as a result of which the contract to construct the plant was null and void. Precautionary attempts to remedy the possible invalidity of the contract for the construction of the plant failed because the majority shareholder and the lead bank refused to give their approval. Proceedings to declare the customer bankrupt were initiated on September 1, 2003.

The insolvency administrator is demanding that several mg Group companies repay the fee paid by the customer – amounting to €164.6 million plus sales tax – because the mg Group companies concerned had failed to comply with the regulations on post-formation acquisitions stipulated in the German Joint Stock Corporation Act (AktG), as a result of which the contract to construct the plant was null and void. The insolvency administrator’s application for legal aid was rejected by the regional court in Frankfurt am Main. Since the main creditor then evidently agreed to finance the legal action, this action has now been filed (since the balance sheet date).

In accordance with SFAS 5, no provision has been set aside due to the complex nature of this case and the large number of outstanding legal issues.

Taxation risks

The applicable national tax legislation could affect the usability of NOL carryforwards and thus both the value of the deferred taxes capitalized on them and the current taxation of the mg Group. The usability of U.S. NOL carryforwards could also be restricted by changes in mg’s shareholder structure, since the provision of section 382 of the IRC (Change of Ownership) applies to mg in the U.S. In addition, the parlous state of Germany’s public finances and the ongoing need for reforms continue to create considerable uncertainty about the future shape of the country’s tax legislation.

In December 2003, a minimum rate of corporation tax and trade tax was introduced with effect from 2004 as part of the package of laws implemented by the German government to reduce tax breaks. The introduction of this minimum rate of taxation means that the usability of mg’s NOL carryforwards at December 31, 2003 will be delayed. mg technologies ag had already taken account of these foreseeable risks arising from amendments to tax legislation and had modified its structure accordingly by transferring beneficial ownership of business operations. The profits resulting from this transfer of business operations are therefore not affected by the minimum rate of taxation. They were offset in full against existing NOL carryforwards. However, the introduction of the minimum rate of taxation will mean in the future that mg technologies ag will have to pay further income taxes.

However, the adoption of this legislation in December 2003 does not mean that the package of tax reforms has been finalized. It remains to be seen how these reforms evolve (e.g. with respect to the broadening of the tax base and possible restrictions on the system under which German companies can file combined tax returns).

Internal risks

Business-performance risks

The mg Group’s Engineering division consists of the subgroups Lurgi, Lurgi Lentjes and Zimmer, which are engaged in industrial plant engineering, as well as GEA, which specializes in the engineering of components and the construction of smaller-scale industrial plant. The industrial plant engineering business frequently handles orders worth in excess of €100 million, while the GEA subgroup generally handles contracts worth up to around €25 million.

Industrial plant engineering covers the construction of complete plant in the field of power generation, oil and gas refining, and plastic and fiber production, as well as other large-scale environmental-engineering and chemical plant for various purposes. This business is generally characterized by large individual order volumes, an international orientation, long-term planning and project terms as well as complex contractual and financing arrangements. The risks involved in large-scale projects lie principally in the fact that the prevailing conditions and circumstances may deteriorate during the course of the project. At the same time, any failure to meet milestones and completion dates normally incurs contractual penalties, so that unforeseeable difficulties in completing a contract may impair its profitability.

Furthermore, new technologies and processes are constantly being developed and implemented on an industrial scale. This so-called first-of-its-kind plant exposes the plant builder to the risk of extensive corrective work if industrial-scale process solutions prove more complex than expected. This entrepreneurial risk is mitigated by the selective acceptance of such contracts.

mg's industrial plant engineering business operates internationally. One focal point of its work is power-plant projects and industrial plant for oil and gas refining, which are often erected in emerging markets. In order to be able to identify potential risks in the handling of such projects at the earliest-possible stage, mg has set up a Risk Board, which checks contracts from a technical, legal and commercial viewpoint before they are accepted and arranges for any necessary adjustments to be made. mg implements forward-looking measures to mitigate risks arising from contracts in critical regions by using appropriate contractual arrangements, hedging instruments and ongoing project controlling.

GEA's business is characterized by lower contract volumes, shorter component-production runs, and the construction of smaller plant. Accordingly, GEA is less affected by risks from individual contracts. Its trading results are more subject to the prevailing procurement and sales situation in the relevant markets of its strategic business units. In December 2003, the Italian Parmalat Group, which is engaged, among other things, in milk processing, filed for bankruptcy. Despite the fact that GEA is a market leader in the field of milk processing, Parmalat's bankruptcy has had no material adverse impact on GEA's profits. This issue is expected to depress GEA's sales only very slightly in the current year.

Production in the chemicals business involves the commitment of substantially more capital than in engineering. Companies are particularly exposed to risks arising from the fact that capital investment is tied up in plant for long periods. mg mitigates the risk of misplaced investments with its sophisticated investment-controlling system. There is also a procurement risk attaching to the supply of raw materials and energy to industrial plant. Dynamit Nobel's plastics business, for example, is particularly dependent on oil as the source of its raw materials. This risk is substantially reduced by the conclusion of long-term procurement and sales agreements. In the chemical industry – particularly where hazardous chemicals are used or produced – there is also a risk of possible accidents or environmental pollution. mg mitigates these risks by following the prescribed safety and organizational precautions.

The chemical retailing and distribution activities engaged in by solvadis require extensive knowledge of the various procurement and sales markets. For this subgroup it is thus crucially important to recruit and retain suitable employees. The cost of capital is lower in chemical retailing and distribution than in production, so the barriers to market entry facing competitors are lower. This creates the risk that competition may intensify as a result of the entry or expansionist strategies of competitors.

Financial risks

The Group's international activities expose it to foreign-exchange risk, particularly against the U.S. dollar. In addition, all transactions entail a certain default risk. Industrial plant engineering contracts – especially those carried out in critical regions – are usually invoiced in either U.S. dollars or euros. For international industrial plant engineering projects, expected cash flows in foreign currency must be fully hedged. Even so, significant variations in exchange rates and interest rates from their budgeted levels can adversely affect the Group's results. If the euro weakens against the U.S. dollar, the Group's profits tend to improve – and vice versa.

The mg Group is involved in projects in a number of emerging markets and developing countries as well as in Western industrialized countries. For transactions in problematic regions, receivables must be fully secured by the usual export-guarantee arrangements.

The Group's profits are earned from its operating business. In the mg Group, financial derivatives may only be used for hedging purposes, not for speculation.

The mg Group has adequate credit lines to finance its business operations and offset adverse trends. Although the rating agency Fitch confirmed its investment-grade rating for mg in October 2003, it downgraded the company by one notch to BBB- in view of the risks involved with its planned disposal of the Chemicals division and the restructuring of the mg Group. Moody's gave the same reason for downgrading the mg Group by one notch to Ba1 in October 2003. This downgrade of mg's credit rating will increase its cost of funds in the future.

Organizational and structural risks

In 2003, the decision was taken to fundamentally restructure the mg Group and refocus its strategy. This restructuring will entail mg selling off all of its chemicals activities and focusing on engineering. It will be accompanied by sweeping changes to the Group's organization and management structures. Once the restructuring has been completed, the new-look mg will be focused, lean and profitable. The Group will use the proceeds from this disposal to pay off all of its outstanding debt. This in turn will free up resources for strategic growth in the future and substantially reduce mg's vulnerability to potential risks.

As part of its restructuring, the mg Group will sell off a number of businesses, modify its organizational structures and take far-reaching strategic decisions. The success of this restructuring process will depend to a large extent on its swift implementation and the broad-based support given by the Group's executives. The period of transition to the new Group structure will therefore be temporarily accompanied by settlement risks.

EMPLOYEES

Headcount affected by economic conditions

The mg Group employed 29,189 members of staff and 802 trainees at the balance sheet date of December 31, 2003. The number of employees fell by 632 compared to the prior year. This decline is due to divestments and the reduction in staff as a result of the economic conditions. The Engineering division was particularly affected by this trend, losing a net 114 employees.

Headcount was reduced in such a way that took personal circumstances into account and made use of options such as flexible working hours, natural wastage, part-time employment for staff over the age of 55, and relocations both within the mg Group and to employment companies.

Employees in the mg Group (excluding trainees)

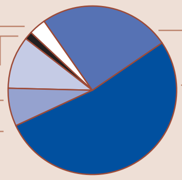
Balance sheet date	12/31/2003	12/31/2002
mg engineering industrial plant engineering	2,551*	2,389
mg engineering GEA	13,820	14,096
Dynamit Nobel	12,304	12,555
Other companies	422	653
mg's holding company	92	128
Total	**29,189**	**29,821**

* due to the acquisition of Fleissner GmbH & Co. Maschinenfabrik

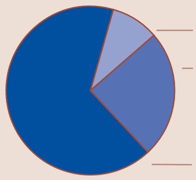
mg's decision to concentrate in the future on specialty mechanical engineering – especially process engineering and components – and plant engineering did not have any material impact on headcount in 2003. The first severance agreements and preretirement part-time contracts were signed at the end of 2003 in the wake of the restructuring of the holding companies. The resultant changes in headcount will not have an impact until 2004. The second stage will take place in the first half of 2004 and will affect headcount at the end of 2004/beginning of 2005.

The mg Group had a total of 15,360 employees in Germany at December 31, 2003, while 13,829 worked outside Germany.

Employees by region (trainees excluding)



Breakdown by type of traineeship



Stock option program exercised

In 2003, executives in the mg Group were able to purchase shares under mg's stock option program for the third year running. The options acquired in 2000 were exercisable for the first time. All executives exercised their option rights.

mg academy continues successful staff development

In 2003, the Supply Management curriculum was added to the range of high-quality training programs offered by mg academy; these seminars are geared both to the individual needs of employees and to the company's requirements. The new training program is designed, among other things, to put in place new purchasing structures (so-called 'commodity management'), thus cutting the cost of materials over the long term.

mg academy ensures that mg technologies ag has a ready supply of well-trained, highly qualified staff that will secure its success – now and in the future. The success of this policy can be measured, among other things, by the proportion of job vacancies that are filled with inhouse candidates. This ratio was raised to 69 percent in 2003, after it had been only 60 percent in the prior year. mg has therefore almost achieved its long-term target of 70 percent.

Trainee ratio remains stable

Despite the fall in headcount, the trainee ratio remained relatively stable at 2.7 percent. 66 percent (532) of trainees are training for technical vocations.

The quality of traineeships continued to be ensured by means of external collaborations, such as training schemes run in conjunction with employment exchanges, chambers of industry and commerce, vocational schools and other corporations, as well as collaborations within the mg Group. This high-quality training was supported by Group-wide inhouse activities such as induction seminars, language courses, subject-specific training, and courses preparing candidates for examinations.

Number of preretirement part-time contracts up

At December 31, 2003, 354 members of staff were in the active phase of their preretirement part-time contracts. The corresponding figure in 2001/2002 was 343. The vast majority of employees on such contracts opted for the so-called 'block model', under which the full period of preretirement part-time employment is divided into equal 'active' and 'passive' phases. During the period under review, preretirement part-time contracts were principally used to reduce the mg Group's headcount in such a way as to take employees' personal circumstances into account.

Thanks to our staff and members of the works council

We would like to take this opportunity to thank all of our employees for their commitment and good work. We would also like to express our gratitude to the members of the works council, whose constructive mediation helped to ensure that decisions were implemented swiftly and effectively.

PERFORMANCE OF THE SUBGROUPS

The performance of the subgroups varied in 2003. While the industrial plant engineering companies incurred heavy losses, the performance of GEA and Dynamit Nobel was relatively robust. Overall, the subgroups' performance was hit by the continued ailing state of the economy and the adverse currency effects of the strong euro (especially against the U.S. dollar).

Robust performance by GEA despite the impact of the economy and exchange rates

GEA recorded lower new orders and sales in 2003. The main reason for this was the movements in the euro exchange rate against the currencies of major export markets. This was particularly true of the U.S. dollar and dollar-bloc currencies. Outside the United States, GEA's sales grew by approximately five percent.

At the beginning of the year under review, the structural organization of the GEA Group was streamlined further and the liquid-processing business was split up. Since then, the components business has been managed by the Process-Engineering Components division, and liquid engineering has been run by the Process Engineering division.

The new **Process Engineering Components** division consists of the former Thermal Technology division, the components business of the former Liquid Processing division, and the homogenizer business. As expected, levels of new orders and sales declined slightly on a comparable basis, as the secondary energy market – which had been extraordinarily strong in previous years – weakened. By contrast, business in plate heat exchangers and homogenizers grew encouragingly.

The **Energy Technology business**, particularly in the field of power plant cooling, continued to contract as expected. This was mainly due to the weakness of the U.S. market. Following the process of consolidation among competitors, the pressure on prices – even in growth markets – intensified significantly. The Energy Technology division achieved a few notable successes in southern Europe. The process cooler business grew despite the weak U.S. market. This was due, among other things, to the high levels of capital spending on natural gas, which is becoming increasingly important in the global mix of primary fossil fuels. The Energy Technology division managed to achieve strong double-digit growth in its services business.

The **Air Treatment** division, which only operates in Europe, had to defend its market position in a chronically difficult market environment. Lack of activity in commercial building construction caused volumes to contract in Austria and, especially, Germany. By contrast, the Air Treatment business achieved growth in France and Belgium. The central and east European marketing companies offered a mixed picture. While business in Hungary and Poland contracted slightly, there were positive signs in Croatia, Lithuania, Slovakia, Slovenia, the Czech Republic, and Ukraine. The announced restructuring of production capacities was completed by the end of the year.

Despite the slight contraction in the global market for industrial refrigeration technology during the year under review, GEA's **Refrigeration** division managed to slightly increase its volumes and maintain its high profitability. It continued to expand its sales and marketing presence in eastern Europe in order to consolidate its leading market position. The division also achieved its first sales in southern Europe in the field of gas compression. This new market segment offers further growth potential once the U.S. secondary energy market recovers. Despite the sluggish level of business activity, particularly in the food sector, GEA managed to defend its position in the U.S. and grow its market share compared to its main competitor. Its European service business was expanded further in 2003.

Despite the sluggish market and the lower level of capital spending in the chemical and pharmaceutical industries, the **Process Engineering** division managed to defend its position. This new division includes the former Powder Technology division and, since the beginning of 2003, the liquid engineering business. Business in thermal separation technology (evaporators, distillation plant) was particularly strong. Growth in its traditional core business of powder technology was at its strongest in the Scandinavian and Chinese markets.

The **Mechanical Separation** division, together with its management holding company Westfalia Separator, grew more rapidly than the market during the period under review. But for exchange rate effects, it would just about have achieved double-digit growth. Its ongoing innovation enabled it to raise the proportion of its products that are less than three years old to roughly two-thirds of its sales. In some areas this proportion was even higher.

The main reasons for the decline in sales in the dairy farm systems business were adverse exchange rate movements and the low milk prices in the U.S. This market accounts for roughly one-third of the business volume in dairy farm systems. The division managed to maintain its market share in the U.S. Its business remained stable in Germany, its home market. In the rest of Europe, the unresolved issue of subsidies for the EU accession countries as well as low milk prices in Italy and Spain caused the general level of capital spending to fall. Its business in the U.K. matched the very high level of the previous year. The **Dairy Farm Systems** division achieved considerable success in China, where it opened its own branch during the year under review.

Lurgi hit by lackluster capital spending

Lurgi posted double-digit sales growth in 2003 on the back of big-ticket orders it had won prior to the period under review. This subgroup suffered declines in new orders due to the continuing lackluster performance of the economy and the uncertain geopolitical situation in key markets. Its earnings were depressed by high restructuring costs, for which Lurgi set aside accrued liabilities amounting to tens of millions of euros during the period under review.

Lurgi's business in 2003 was hit by the depressed levels of capital spending around the world and in Europe in particular. The only exceptions here were the growing markets of China and the Middle East. The plant engineering sector was characterized by intense competition for markets and the extremely high pressure on costs exerted by customers. Investor structures, particularly for large-scale projects, produced complex and long-term contractual and funding models. The strength of the euro compounded the situation in Germany's export-driven industrial plant engineering sector. Taken together, these factors delayed the awarding of large-scale projects expected in 2003.

As part of the restructuring program launched by the mg Group, Lurgi started to implement the first of these measures towards the end of 2003, and commenced the process of winding up its holding company. In 2004, Lurgi Oel Gas Chemie GmbH and Lurgi Life Science GmbH will be merged with Lurgi AG, which will then be an operating company. The aim of this measure was to improve efficiency and generate cost savings over the foreseeable future. Lurgi started to close down the Chemnitz site of Lurgi Life Science GmbH in line with the mg Group's strategy of disposing of businesses that fail to achieve sustainable profitability. It is currently examining alternative options that would secure these jobs. Its restructuring costs affected its profits accordingly. Further one-off charges were taken as a result of necessary valuation allowances on inventories.

In the future, Lurgi will concentrate on technologies such as gas-to-petrochemicals and synthetic fuels, sulfur management, exclusive licensing agreements in the field of petrochemicals, as well as food, oleochemicals, and fuels and fuel components made from renewable resources such as bio-diesel and bio-ethanol. Its gas-to-petrochemicals business – focusing on synthesis gas, MegaMethanol®, methanol-to-propylene (MTP®), Megammonia®, methanol-to-synthetic-fuels and sulfur management – is largely based on proprietary technologies. Over the past ten years Lurgi has established itself as the market leader in methanol: between 60 and 70 percent of global methanol production either already comes from Lurgi's plant or will do so in the near future. As part of its strategy of focusing on growth markets, Lurgi plans to dispose of its refinery technology, fine chemicals, and pharmaceuticals businesses.

The **Oil Gas Chemicals** strategic business unit won a smaller volume of new orders due to delays in the awarding of big-ticket projects. During the period under review, this unit won its first contract in the field of Eastman polymer-grade terephthalic acid (EPTA) technology, which is being developed jointly with Eastman. Terephthalic acid is an important intermediate in the production of polyester. In Iran a Letter of Award was signed for a further MegaMethanol plant®. The order for this plant is expected in the first half of 2004. This unit's earnings were depressed by problems with two major contracts. This deterioration in its profits was caused by additional charges and follow-up costs incurred by a strike and disruptions lasting several months as well as inefficient working by plant-assembly firms. Its profitability was also hit by insufficient capacity utilization.

The **Life Science** strategic business unit won a larger volume of new orders during the period under review than in the previous year. After the low level of new orders received in the first nine months of 2003, the volume it achieved in the fourth quarter was encouraging. This was largely due to its food business, which will continue to belong to Lurgi after its portfolio has been optimized. It won a contract from Russia's largest producer of cooking oil as well as two further orders from Russian clients.

Strong growth in new orders at Lurgi Lentjes

In 2003, Lurgi Lentjes substantially increased its volume of new orders on 2001/2002. These largely involved projects for which the company can mainly use proprietary technologies. Nonetheless, its sales and earnings came in lower. The main reasons for this were delays in new orders in the first two quarters, measures relating to the strategic restructuring of the mg Group, and a deterioration in its business operations.

Despite the difficult economic environment, the **Gas Cleaning** strategic business unit turned in a respectable performance. Its sales, volume of new orders, and earnings all increased year on year.

The **Energy and Environment** strategic business unit won several big-ticket contracts during the period under review, reporting a year-on-year increase in new orders. Its earnings were depressed by the deteriorating state of ongoing projects and by one-off charges from risk provisioning for problem contracts and the settlement of long-running lawsuits. Its profitability was also adversely affected by restructuring costs incurred in connection with the strategic restructuring of the mg Group.

During the period under review, Lurgi Energie und Entsorgung GmbH won an order from the Frankfurt-based Mainova AG to modernize a thermal power station. This will involve using a power-thermal coupling process to simultaneously generate electricity and heat for the local district heating network. Once the plant comes on stream, customers will receive subsidies to promote power-thermal coupling in order to cut carbon dioxide emissions.

This strategic business unit won a contract from AVA Nordweststadt and Mainova AG, Frankfurt am Main, Germany, to modernize a waste incineration plant in Frankfurt in order to make it compliant with the increasingly stringent environmental legislation.

Lurgi Energie und Entsorgung GmbH achieved further success when it won a contract to build a waste incineration plant on the Channel Island of Guernsey. The customer for the order is the island's government. Starting in 2006, the plant – which will be the only one of its kind on the island – will be used to extract energy from up to 72,000 tonnes of residual waste per year, which in the past has simply been dumped.

Lurgi Energie und Entsorgung's business in China also went well. During the period under review it signed seven licensing agreements on smoke-cleaning technologies with Chinese firms. These agreements cover the company's entire product range, and the anticipated royalty income will help boost its earnings over the coming years.

Zimmer wins major contract for direct spinning plant

Last year Zimmer failed to repeat its good performance of 2001/2002. The main reasons for this were the increasingly intense competition from suppliers from the U.S. dollar bloc due to the strength of the euro, and the already low level of capital spending worldwide. In addition, local suppliers – particularly from China – improved their market position in the fields of polymers and synthetic fibers.

Zimmer won eight contracts during the period under review. Due to their significance, the orders it won in Lithuania and China are particularly worth mentioning here. In Klaipeda, Lithuania, the company is building a plant that will manufacture 400 tonnes of granules for PET bottles per day for an international group of investors. Zimmer also secured an order from one of China's largest weaving businesses for the construction of a polyester direct spinning plant in Wujiang, China. The plant has 32 production lines and a total annual capacity of 350,000 tonnes. It will be the world's largest direct spinning plant project ever to be completed in a single investment stage.

Once the deal had been cleared by Germany's antitrust authorities, Zimmer acquired Fleissner GmbH & Co. Maschinenfabrik, Egelsbach. Fleissner was consolidated in the subgroup's accounts as from December 1 of last year. Zimmer believes this acquisition will enable it to strategically consolidate its market position in staple-fiber plant engineering, and will add the fast-growing nonwovens business to its product range.

Dynamit Nobel affected by the economy

Dynamit Nobel's sales and earnings declined in 2003 due to the ailing state of the economy and adverse exchange rate movements. The decrease was also caused by portfolio adjustments.

Adjusted for divestments, the **custom-synthesis** business reported slightly higher sales. Its special-chemistry unit managed to defend its position in the pharmaceutical sector despite intensifying competition and the loss of a key customer at Rohner AG in Pratteln, Germany, in the custom-synthesis market. A restructuring project introduced in 2003 took account of the resultant effects on capacity utilization at Rohner AG.

In Mourenx, France, Dynamit Nobel subsidiary Finorga S.A. commissioned a new plant that can efficiently produce highly effective pharmaceutical active ingredients on an industrial scale in compliance with the rules laid down by the FDA, the U.S. healthcare regulator. During the year under review, negotiations on the disposal of the remaining activities of the former explosives business (industrial ignition systems and defense technology) were initiated.

The **Plastics** business unit, virtually all of whose business is with the automotive industry, slightly increased its sales despite the low level of business activity in this sector. The unit managed to safeguard its strong market position for the long term by acquiring follow-up orders for model updates of key model series.

The **Advanced Ceramics** business unit reported slightly higher sales during the period under review. Sales in the medical technology business were particularly encouraging, strengthening the unit's market position in ceramic components for artificial hip joints. The official approval of its ceramic hip-joint components for the U.S. provided it with access to a market with considerable growth potential. CeramTec is also a supplier of piezo actuators used in multilayer technology for diesel injection systems. CeramTec decided not to shoulder the business risk of the follow-up investment owing to the differing expectations about the future development of this business. It agreed with its customer to discontinue deliveries of piezo actuators. The start-up and discontinuation of this new actuator product depressed CeramTec's earnings in 2003.

Following the dramatic drop in sales in 2001/2002, the business in ceramic components for the electronics industry recovered despite persistently lackluster demand for consumer electronics and telecommunications.

CeramTec, which manufactures and markets thread guides for textile machinery, continued its growth. The company strengthened its position in this segment of the Asian market by acquiring the shares of its joint venture partner in China and relocating to its own production facilities.

The systems engineering business achieved strong sales growth despite the ailing state of the construction industry. In Europe it continued to extend its market leadership in sealing washers for sanitary appliances.

Sales in the **Specialty Chemicals** business unit in 2003 failed to match those achieved in 2001/2002. This decrease stemmed from Chemetall's surface technology, lithium and polymer chemistry businesses. The main reasons for this were the disposal of the glazing sealing compounds business (insulating glass sealing materials and cast resins), adverse exchange rate movements, and certain weak markets. Adjusted for the effects of this disposal and exchange rates, sales were only marginally down on the previous year.

Chemetall continued to pursue its strategy of internationalization in its surface technology business, signing a cooperation agreement with Russian company Ecohim to work as a subcontractor to Russia's automotive and automotive supplier industries. This will provide the company with new growth prospects as a partner to these Russian industries.

In lithium chemistry, Chemetall defended its position as a global market leader.

On July 1, 2003, Chemetall sold its business in insulating glass sealing materials and cast resins for the glass industry to Kömmerling Chemische Fabrik GmbH.

The sales of the **Pigment Chemicals** business unit were hit by the difficult economic environment, adverse exchange rate movements, and weak market prices.

Following the marked slowdown in business activity in the aftermath of the Iraq war and the SARS epidemic, the synthetic fiber industry's demand for anatase crystals returned to normal during the second half of 2003. This business continued to expand in Asia, with disproportionate growth being achieved in China. Dynamit Nobel subsidiary Sachtleben opened a representative office in Shanghai in order to serve its customers on the ground. By sharpening its focus on the Chinese market and intensifying its customer relationship management in this region, Sachtleben aims to benefit from the rapid growth of the synthetic fiber market in the world's most populous country.

Its pioneering nano-products business posted double-digit growth in 2003. Sachtleben established itself in the fast-growing cosmetics market with its highly effective broadband filters based on nano-fine titanium dioxides. The fashion for UV-protecting day-to-day cosmetics made a major contribution to this encouraging trend.

solvadis holds up well in a difficult market environment

solvadis' earnings for 2003 fell year on year. However, not all strategic business units contributed equally to this trend. Whereas the Specialty Chemicals and Distribution business units (base and industrial chemicals) held up well despite the difficult market conditions, earnings in the Natural Products strategic business unit were down by more than 50 percent. This was attributable to lower gross margins, the weak U.S. dollar, and higher costs in connection with the closure of its natural-rubber business in North America.

On the whole, the Specialty Chemicals business performed in line with expectations. With economic activity in the relevant markets persistently weak – especially in the French automotive industry – earnings were more or less consistent with the previous year's result. Business in Spain and Portugal was encouraging.

The Distribution business unit performed soundly. This was mainly due to its activities in base chemicals. In addition, part of the methanol business in North America was sold. Industrial chemicals repeated their performance of the previous year.

Earnings were depressed by restructuring costs. In order to continue the streamlining of its administrative functions, which had begun in the previous quarters, solvadis implemented a plan to optimize its administrative functions in Germany in the fourth quarter of 2003.

solvadis' earnings also include the anticipated loss on the sale of Safic-Alcan in January 2004.

OUTLOOK

Since mid-2003, indicators of market sentiment have all been pointing to a global economic recovery. In their fall report, Germany's leading economic research institutes forecast that global GDP would grow by 3.1 percent in 2004. However, the strength of this recovery will vary from region to region. Various adverse factors such as rising oil prices, the ongoing instability of the geopolitical situation, the continuing appreciation of the euro against the U.S. dollar, and the high current account deficit in the U.S. could still jeopardize any global economic expansion.

Dynamic U.S. economy

The driving force behind the global economic recovery in 2004 will once again be the U.S. Having bounced back in the second half of 2003, the world's largest economy is likely to continue on its path of expansion. The Kiel Institute for World Economics (IfW) is forecasting U.S. GDP growth of 4.1 percent for 2004.

The Asian economies will also continue to grow. China's economy will continue its rapid pace of expansion in 2004. However, the country's currency problems still need to be resolved. Experts also expect the southeast Asian emerging markets to achieve stellar growth. Germany's economic research institutes believe that Japan's modest economic recovery will continue. The German Institute for Economic Research (DIW) is forecasting Japanese GDP growth of 1.5 percent for 2004. The improved political framework in the Latin American emerging markets has given their economies a new lease on life.

Euro-zone economy recovering only slowly

The performance of the euro-zone economy will be somewhat less impressive. The European Central Bank is forecasting that GDP in the euro-zone will grow by around 1.7 percent in 2004 and roughly two percent in 2005. By contrast, the central and east European countries joining the EU on May 1 this year should have good growth prospects. According to Germany's leading economic research institutes, GDP in these countries should grow by 3.7 percent in 2004.

Relatively lackluster growth is predicted for Germany. While the German government expects the country's GDP to grow by up to two percent, the forecast of the German Institute for Economic Research is for growth of only 1.4 percent. A major reason for this sluggish performance is Germany's chronically weak domestic demand. Nonetheless, exports are expected to grow in 2004.

Slightly improved prospects for mg's major markets

According to trade associations, the growth prospects for mg's key markets have marginally improved since last year.

After a disappointing year in 2003, the German Engineering Federation (VDMA) expects to see output grow by two percent in 2004. The substantial increase in the volume of new orders received last autumn has fueled hopes that demand for capital goods will start to grow in Germany as well.

Germany's Chemical Industry Federation (VCI) is forecasting a modest recovery. After output in 2003 was only slightly up on the previous year, the federation expects to see output and sales in the German chemical industry rise by 1.5 percent and producer prices to fall slightly in 2004. According to its estimates, the fine and specialty chemicals sector will grow by around 2.5 percent and the pharmaceutical industry by roughly two percent.

Experts believe that the relatively non-cyclical food industry, which is one of GEA's most important markets, will continue to perform well. Demand for high-quality processed food in particular will grow.

The automotive industry is cautiously optimistic about 2004. Experts see continued strong demand from Asia and eastern Europe. After a disappointing year in 2003, U.S. output is likely to increase marginally in 2004. The German Association of the Automotive Industry (VDA) is forecasting an increase of roughly three percent in new vehicle registrations in Germany. The automotive industry is one of Dynamit Nobel's key markets.

The weakness of the U.S. dollar against the euro, which intensified throughout 2003 and continued at the beginning of 2004, makes accurate forecasting difficult. Some trade associations, including Germany's Chemical Industry Federation, have already indicated that they might have to revise downwards their forecasts for 2004 if the U.S. dollar continues to slide.

GEA forecasts higher new orders and sales

Despite the persistently adverse impact that the euro's exchange rate – particularly against the U.S. dollar – is expected to have on business volumes, GEA is forecasting a modest increase in its new orders and sales. Although the U.S. primary and secondary energy markets are not expected to recover just yet, the American dairy farm systems market should improve – provided that the much-publicized first case of BSE remains a one-off. GEA is mitigating regional fluctuations in its markets by extending its market and technology leadership, implementing cost-cutting measures as swiftly as possible, and developing new market segments. Its goal is to increase its earnings significantly.

Lurgi forecasts recovery

Lurgi believes that in 2004 it will benefit from the anticipated recovery in business by virtue of its outstanding technological position. This subgroup expects to win contracts for delayed big-ticket projects and to close deals on a number of promising projects involving methanol and petrochemical plant. The markets it intends to focus on this year are the Middle East, China, southeast Asia and South America. Lurgi sees further lucrative business opportunities in the development of technology chains for gas-based petrochemicals as an alternative to oil and in bio-diesel plant and conceptual studies on bio-ethanol plant. If these expectations fail to materialize during the course of the year, further capacity adjustments may well be needed in view of the insufficient level of capacity utilization at present.

Lurgi Lentjes predicts strong performance in 2004

Lurgi Lentjes has laid the foundations for a strong performance this year by focusing on profitable, limited-risk proprietary technologies and reorganizing its corporate and management structures. In 2004 it again expects to win a high level of new orders on the back of its strong market position in key projects.

Zimmer forecasts higher earnings

Although conditions in 2004 are likely to be difficult, Zimmer expects to increase its earnings this year. The euro's strength against the U.S. dollar will continue to have an adverse impact on the market environment for industrial plant engineering. In the Middle East, the propensity to invest will continue to be low. The potential performance of markets in the Americas and western Europe must also be viewed with some skepticism. Nonetheless, the signals coming out of eastern Europe are increasingly encouraging, and the textile industry in India and Pakistan is expected to add capacity. Although the Chinese market will continue to expand in the field of polymers and fibers, this growth will be very much localized, fueling strong price competition that will be intensified by the local currency's peg to the U.S. dollar.

Dynamit Nobel confident about 2004

In the current year Dynamit Nobel once again expects to see only a slight increase in demand from its main customer segments. It should manage to raise its sales to the automotive industry further by launching new products and technologies in its plastics and specialty chemicals businesses. This subgroup also expects to see a continuation of the strong performance in its advanced-ceramics business, especially in the fields of medical equipment and special engineering applications. Dynamit Nobel is forecasting growing unit sales and rising prices in its pigment chemicals business in 2004. If the euro continues to appreciate against the U.S. dollar, this will affect Dynamit Nobel's sales and earnings. Its business this year will be impacted by the process of disposals. As a result of divestments, this subgroup is forecasting slightly lower sales and higher earnings for 2004.

2004 will be the year of implementation for the mg Group

The current year will be one of implementation for the mg Group. This will center on the successful disposal of the Chemicals division and the restructuring of the mg Group, and will put the company back on track for growth and expansion in 2005. The Group's sales – excluding acquisitions – will then be in the order of €4.5 billion. Its profitability will increase substantially on the back of GEA's robust performance, the improvement in the Group's financial structure – relieving much of the pressure on its financial income – and the sharp reduction in its holding-company costs. Assuming the economic environment improves, its pre-tax return on sales should be raised to five percent. Should the right opportunities arise, mg will once again be in the market for acquisitions.

Outlook for discontinued operations

Year of restructuring at solvadis

In 2004, solvadis is restricting its activities to the distribution of base and industrial chemicals. Its Natural Products and Specialty Chemicals strategic business units left the mg Group at the beginning of 2004 when Safic-Alcan was sold. This year, solvadis will continue to restructure low-margin businesses and improve its supply chain management in order to strengthen its sales activities and supplier relationships. Reducing its administrative functions will have a beneficial impact on its costs. In view of the persistently difficult market conditions, however, the company does not expect 2004 to bring any improvement on the disappointing level of earnings reported last year for its remaining Distribution strategic business unit.

Frankfurt am Main, March 23, 2004

The Executive Board

Udo Stark Karlheinz Hornung Jürg Oleas Klaus Moll Peter Steiner

Scope for Acquisition

mg's mission is to ensure sustainable growth in its shareholder value – through both organic growth and acquisitions in growth sectors. By acquiring Dutch refrigeration specialist Goedhart, GEA has strengthened its business in industrial refrigeration and attained European market leadership in the field of air coolers for refrigeration equipment.

CONSOLIDATED BALANCE SHEETS at December 31, 2003

ASSETS

	Note	12/31/2003 € '000	12/31/2002 € '000
Fixed Assets			
Intangible assets thereof goodwill € 1,482,392,000 (prior year: €1,494,531,000)	1	1,547,664	1,575,745
Property, plant and equipment	1	1,412,206	1,381,669
Investments and long-term financial assets	1/5	131,160	148,513
		3,091,030	**3,105,927**
Non-fixed assets			
Inventories	3	618,016	628,611
Receivables and other assets	4	1,443,511	1,396,171
Securities	5	12,175	64,185
Cash and cash equivalents	6	171,952	165,291
		2,245,654	**2,254,258**
Assets from discontinued operations	G	**466,151**	**556,931**
Deferred taxes	20	**867,760**	**748,947**
Prepaid expenses	7	**29,697**	**33,951**
Total assets (thereof short-term 12/31/2003: €2,238,785,000; 12/31/2002: €2,252,325,000)		**6,700,292**	**6,700,014**

The accompanying notes are an integral part of these consolidated financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	**12/31/2003 € '000**	12/31/2002 € '000
Shareholders' equity	8		
Capital stock		496,890	494,247
Additional paid-in capital		1,085,396	1,079,680
Retained earnings		523,977	442,823
Accumulated loss (prior year: unappropriated retained earnings)		– 269,536	69,001
Accumulated other comprehensive loss		– 172,966	– 94,579
		1,663,761	**1,991,172**
Minority interests	9	**41,141**	**42,006**
Provisions and accrued liabilities	10	**1,827,608**	**1,623,115**
Liabilities	11		
Financial liabilities		1,244,484	1,208,172
Other liabilities		1,394,305	1,309,963
		2,638,789	**2,518,135**
Liabilities from discontinued operations	G	**429,657**	**408,386**
Deferred taxes	20	**61,870**	**66,604**
Deferred income	12	**37,466**	**50,596**
Total liabilities excluding shareholders'equity		**5,036,531**	**4,708,842**
Total liabilities and shareholders' equity thereof short-term 12/31/2003: €2,838,239,000; 12/31/2002: €2,533,680,000)		**6,700,292**	**6,700,014**

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME January 1 - December 31, 2003

	Note	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Revenues		6,403,195	1,518,791
Cost of sales		– 5,028,468	– 1,146,619
Gross margin		**1,374,727**	**372,172**
Selling expenses		– 614,472	– 161,141
Administrative expenses		– 583,512	– 155,768
Other operating income	16	115,419	39,913
Other operating expenses	17	– 263,005	– 43,658
Restructuring costs	18	– 121,535	– 7,530
Financial income, net	19	– 88,655	– 17,813
Income before income taxes and minority interests		**– 181,033**	**26,175**
Income taxes	20	55,391	– 58,033
Minority interests	21	– 2,431	– 1,200
Profit/loss on continued operations	22	**– 128,073**	**– 33,058**
Profit/loss on discontinued operations		– 70,527	2,060
thereof gains/losses on disposals		– 5,223	0
thereof taxes on income		– 9,945	1,402
thereof minority interests		– 904	– 428
Net loss		**– 198,600**	**– 30,998**
		€ per share	€ per share
Basic earnings per share	23	**– 1.02**	**– 0.16**
thereof on continued operations		– 0.66	– 0.17
thereof on discontinued operations		– 0.36	0.01
Diluted earnings per share	23	**– 1.02**	**– 0.16**
thereof on continued operations		– 0.66	– 0.17
thereof on discontinued operations		– 0.36	0.01
Weighted average number of shares outstanding (in thousands)	23	**193,778**	**193,333**

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS January 1 - December 31, 2003

	1.1.2003 - 12/31/2003 € '000	1.10.2002 - 12/31/2002 € '000
Net loss	– 198,600	– 30,998
Adjustment of net profit/loss from discontinued operations	69,623	– 2,488
Depreciation and amortization of fixed assets	212,953	48,783
Further non-cash expenses	2,644	22
Change in pension reserves	10,418	6,461
Change in other accrued liabilities	165,769	– 83,074
Loss on disposal of fixed assets (prior year: profit)	5,790	– 2,903
Change in inventories incl. unbilled PoC receivables[1]	– 6,407	– 53,880
Change in trade receivables	– 87,559	85,654
Change in trade payables	55,580	– 67,733
Change in deferred tax assets and liabilities	– 108,169	44,240
Change in other operating assets and liabilities	14,805	12,929
= Net cash used for operating activities of continued operations	**136,847**	**– 42,987**
Proceeds from disposal of fixed assets	54,954	8,462
Purchases of property, plant and equipment and intangible assets	– 256,054	– 62,026
Purchases of investments and long-term financial assets	– 16,134	– 1,515
Purchases of securities	– 32,385	– 11,181
Proceeds from disposal of securities	86,605	19,977
Payments for acquisition of businesses	– 11,859	– 7,231
Proceeds from disposal of businesses	1,137	0
= Net cash used for investing activities of continued operations	**– 173,736**	**– 53,514**
Proceeds from the issue of new shares (SOP)	6,545	0
Dividend paid by mg technologies ag for the prior year	– 59,937	0
Dividends paid to minority interests	– 2,546	0
Change in capital lease liability	– 9,130	– 3,909
Net purchases of bonds and financial liabilities	48,011	99,116
Change in the Group's financing	6,770	519
= Net cash provided by financing activities of continued operations	**– 10,287**	**95,726**
Changes in net assets from discontinued operations	23,965	2,911
Proceeds from disposal of discontinued operations	30,254	0
Exchange-rate-related and other changes in cash and cash equivalents	– 8,375	2,227
= Change in unrestricted cash and cash equivalents of continued operations	**– 1,332**	**4,363**
= Unrestricted cash and cash equivalents at beginning of year	160,554	156,191
= Unrestricted cash and cash equivalents from continued operations at end of year	**159,222**	**160,554**
Restricted cash and cash equivalents	12,730	4,737
= Cash and cash equivalents from continued operations as reported on the balance sheet	**171,952**	**165,291**

[1] less advance payments received

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

at December 31, 2003

	Shares	Capital stock € '000	Additional paid-in capital € '000	Retained earnings € '000
Balance at 9/30/2002	**193,331,211**	**494,243**	**1,078,809**	**351,606**
Net loss				
Other comprehensive loss				
Total comprehensive loss				
Capital increase	1,400	4	20	
Expense incurred by SOP & ESOP			851	
Addition to retained earnings				91,217
Balance at 12/31/2002	**193,332,611**	**494,247**	**1,079,680**	**442,823**
Net loss				
Other comprehensive loss				
Total comprehensive loss				
Capital increase	1,034,007	2,643	4,119	
Expense incurred by SOP & ESOP			1,597	
Addition to retained earnings				80,000
Disposal of treasury stock				1,154
Dividend paid by mg ag				
Balance at 12/31/2003	**194,366,618**	**496,890**	**1,085,396**	**523,977**

Accumulated loss (prior year: unappropriated retained earnings)	Accumulated other comprehensive income				
	Cumulative translation adjustment	Available-for-sale securities	Minimum pension liability	Hedge accounting	**Total**
€ '000	€ '000	€ '000	€ '000	€ '000	**€ '000**
191,216	**– 33,373**	**– 5,195**	**– 37,557**	**– 2,924**	**2,036,825**
– 30,998					– 30,998
	– 16,785	844	– 3,074	3,485	– 15,530
					– 46,528
					24
					851
– 91,217					0
69,001	**– 50,158**	**– 4,351**	**– 40,631**	**561**	**1,991,172**
– 198,600					– 198,600
	– 70,144	5,213	– 17,476	4,020	– 78,387
					– 276,987
7,916					6,762
					1,597
– 80,000					0
					1,154
– 59,937					– 59,937
– 269,536	**– 120,302**	**862**	**– 58,107**	**4,581**	**1,663,761**

CONSOLIDATED FIXED ASSETS SCHEDULE

at December 31, 2003

in € '000		Acquisition or manufacturing costs						
	Balance at 1/1/2003	Additions	Additions First-time consolidation	Disposals	Disposals Decon-solidation	Reclassifi-cations	Currency translation	Balance at 12/31/2003
Intangible assets								
Patents, licenses, trademarks, and similar rights and assets, including licenses for such rights and assets	110,761	4,903	3,879	– 405	– 271		– 5,746	113,121
Goodwill	1,733,746	11,611	4,577	– 3,198	– 720		– 32,967	1,713,049
Capitalized software	77,554	5,477		– 4,750			– 1,350	76,931
(thereof capitalized leasing liabilities)	*19,811*	*5*					*– 163*	*19,653*
Intangible pension assets	8,403	924		– 4,815			– 17	4,495
Total	**1,930,464**	**22,915**	**8,456**	**– 13,168**	**– 991**		**– 40,080**	**1,907,596**
Property, plant and equipment								
Land, leasehold improvements and buildings, including buildings on land owned by others	1,230,092	28,467	36,236	– 53,056	– 195	20,131	– 23,223	1,238,452
(thereof capitalized leasing liabilities)	*61,655*	*1,844*					*2*	*63,501*
Plant and equipment	1,989,380	69,204	22,321	– 62,840	– 3,037	57,192	– 38,389	2,033,831
(thereof capitalized leasing liabilities)	*30,257*	*44*				*1,103*	*– 188*	*31,216*
Other plant, office furniture and equipment	536,588	35,568	6,412	– 56,414	– 465	3,405	– 10,551	514,543
(thereof capitalized leasing liabilities)	*12,403*	*1,592*		*– 2,478*		*215*		*11,732*
Advance payments relating to plant and equipment and construction in progress	102,938	122,356	81	– 1,891		– 80,728	– 768	141,988
Total	**3,858,998**	**255,595**	**65,050**	**– 174,201**	**– 3,697**		**– 72,931**	**3,928,814**
Investments and long-term financial assets								
Investments in affiliated companies	92,388	5,133	51	– 4,424		243	– 193	93,198
Loans to affiliated companies	8,067	1,144		– 148				9,063
Investments in associated companies	19,422	2,892		– 1,397		– 3,055	– 1,675	16,187
Other investments in related companies	16,656			– 282		2,812	– 176	19,010
Loans to associated and related companies	41,994	46		– 541			– 2,206	39,293
Long-term securities	1,985	1,711		– 43			– 29	3,624
Other loans	16,205	9,622	21	– 4,636			– 602	20,610
Long-term capital lease receivables	37,435			– 4,632				32,803
Total	**234,152**	**20,548**	**72**	**– 16,103**			**– 4,881**	**233,788**
Fixed assets	**6,023,614**	**299,058**	**73,578**	**– 203,472**	**– 4,688**		**– 117,892**	**6,070,198**

Depreciation/amortization										
Balance at 1/1/2003	Additions	Additions First-time consolidation	Disposals	Disposals Decon-solidation	Reclassifi-cations	Currency translation	Balance at 12/31/2003	**Book value 12/31/2003**	Book value 12/31/2002 Continued operations	Book value 12/31/2002 Discontinued operations
64,633	5,334	2,863		– 54		– 1,587	71,189	41,932	46,128	399
239,208			– 3,041	– 245		– 5,265	230,657	1,482,392	1,494,538	68,168
50,871	12,680		– 4,311			– 1,154	58,086	18,845	26,683	395
9,287	*3,288*					*– 127*	*12,448*	*7,205*	*10,524*	
								4,495	8,403	859
354,712	**18,014**	**2,863**	**– 7,352**	**– 299**		**– 8,006**	**359,932**	**1,547,664**	**1,575,752**	**69,821**
544,500	41,282	6,442	– 20,739	– 18	1,814	– 7,806	565,475	672,977	685,592	18,869
9,125	*1,803*					*– 1*	*10,927*	*52,574*	*52,530*	*4,414*
1,502,817	93,428	17,380	– 56,021	– 1,123	– 1,694	– 22,013	1,532,774	501,057	486,563	14,232
6,715	*2,583*					*– 93*	*9,205*	*22,011*	*23,542*	
428,522	40,751	5,006	– 47,353	– 335	– 120	– 8,323	418,148	96,395	108,066	15,762
5,884	*2,588*		*– 2,206*				*6,266*	*5,466*	*6,519*	
1,490	112		– 1,391				211	141,777	101,448	1,440
2,477,329	**175,573**	**28,828**	**– 125,504**	**– 1,476**		**– 38,142**	**2,516,608**	**1,412,206**	**479,652**	**50,303**
41,846	6,482		– 92				48,236	44,962	50,542	4,732
529	198						727	8,336	7,538	
7,004					– 2,812	– 596	3,596	12,591	12,418	1,292
3,990	5,074		– 28		2,812		11,848	7,162	12,666	665
26,535						– 1,618	24,917	14,376	15,459	
161	13					– 16	158	3,466	1,824	22
5,574	7,599		– 16			– 11	13,146	7,464	10,631	12,028
								32,803	37,435	
85,639	**19,366**		**– 136**			**– 2,241**	**102,628**	**131,160**	**148,513**	**18,739**
2,917,680	**212,953**	**31,691**	**– 132,992**	**– 1,775**		**– 48,389**	**2,979,168**	**3,091,030**	**2,203,917**	**138,863**

A) Basis of Presentation

The consolidated financial statements of mg technologies ag ('the mg Group') and the annual financial statements of the mg Group companies included in the consolidated accounts for the fiscal year from January 1 through December 31, 2003 and for the short 2002 fiscal year from October 1 through December 31, 2002 (hereinafter referred to as 'prior year') have been prepared in accordance with **United States generally accepted accounting principles** (U.S. GAAP).

Section 292a of the German Commercial Code ('HGB') obviates the requirement to prepare consolidated financial statements according to the HGB if consolidated financial statements prepared according to international accounting standards are of the same value and meaningfulness as consolidated accounts prepared in accordance with the HGB. U.S. GAAP is one of the internationally recognized accounting standards.

The euro (€) is the official currency for the mg Group.

The figures for the prior year have been adjusted in accordance with SFAS 144 (for further information see Note G) 'Discontinued operations'. Furthermore, certain prior-year figures have been adjusted.

B) Principles of Consolidation

Consolidation includes both fully consolidated subsidiaries and associated companies and joint ventures accounted for at equity. All material companies over which mg technologies ag directly or indirectly exerts control are consolidated under the purchase method of accounting. mg technologies ag is deemed to exert control wherever it either directly or indirectly owns a majority of the voting rights and can therefore exert a controlling influence. Variable-interest entities in which mg technologies ag is either directly or indirectly the main beneficiary are also consolidated. Material equity investments on which a significant influence can be exerted ('associated companies') as well as joint ventures are accounted for under the equity method. All other investments are accounted for at cost.

Consolidated companies with a different balance sheet date from that of the parent company have prepared **interim financial statements** as of December 31.

When **the investment in subsidiaries is consolidated** under the purchase method, the purchase price is offset against the value of interest held in subsidiaries' shareholders' equity at the time of acquisition after the pro rata hidden reserves and hidden liabilities have been disclosed. Any excess purchase price over fair market value of assets acquired and liabilities assumed is capitalized as goodwill. Under the rules of SFAS 142 ('Goodwill and Other Intangible Assets'), this goodwill is tested for impairment at least once a year and, where necessary, written down. Any shortfall in purchase price over fair market value of assets acquired and liabilities assumed (negative goodwill) is deducted from the carrying amount of certain non-current assets acquired. Under SFAS 141 ('Business Combinations'), any further shortfall is reported as extraordinary income or, in exceptional cases ('contingent considerations'), recognized as deferred income.

Companies on which significant influence can be exerted (associated companies) and joint ventures are valued under the **equity method.** This is principally in instances where the mg Group holds between 20% and 50% of the voting rights. Investments valued at equity are reported at the interest held in shareholders' equity. Recognized changes in the associated company's shareholders' equity, including any necessary goodwill write-down and any necessary depreciation, amortization or releases of allocated hidden reserves or liabilities, are recognized as net income from investments.

All material intercompany gains and losses, assets, liabilities, revenues, expenses and income are consolidated as part of the **elimination of intercompany gains and losses and the consolidation of liabilities, expenses and income.**

The **consolidation of liabilities** essentially means that receivables and liabilities between consolidated Group companies are offset against each other, since the Group – which, according to the entity point of view, constitutes a theoretical single legal entity – cannot report any assets or liabilities with respect to itself.

The main purpose of **consolidating expenses and income** is to offset all expenses and income between fully consolidated subsidiaries against each other. The consolidated statements of income may only report expenses and income resulting from transactions with non-Group entities.

The purpose of **eliminating intercompany gains and losses** is to eliminate intercompany profits and losses resulting from goods and services supplied by one consolidated subsidiary to another, as the Group can only recognize gains or losses if the goods or services were supplied to external third parties, i.e. to non-consolidated companies. If, for example, a consolidated companysupplies assets at a valueexceeding their acquisition or manufacturing cost to another consolidated company, this gives rise to an intercompany gain. If the company that purchased these goods or services is still accounting for them as an asset at the balance sheet date, the asset must be written down by the amount of the intercompany gain (the difference between the asset value reported by the purchasing company and the [Group's] acquisition or manufacturing cost. This method ensures that assets resulting from goods or services supplied by one consolidated company to another are shown in the consolidated financial statements at the amount that would be reported if the Group were a single company. This intercompany gain is recognized in the future if the asset in question is sold to a non-Group entity or written off. A similar procedure is applied to companies reported at equity.

Unless based in countries suffering from hyperinflation, subsidiaries whose reporting currency is not the euro are consolidated according to the **functional currency concept.** If the local currency is the functional currency, the financial statements are translated into the reporting currency (euro) at modified exchange rates as of the balance sheet date. The financial statements are translated as follows:

- Investments in affiliated, consolidated companies and the shareholders' equity are reported at historical rates, while assets (including goodwill), liabilities and deferred items are shown at mid-rates as of the balance sheet date.
- Revenues and expenses are translated at average exchange rates in effect during the year.
- Resultant translation adjustments are reported as a separate component of shareholders' equity ('accumulated other comprehensive income/loss').

Subsidiaries based in countries suffering from hyperinflation have the euro as their functional currency. Adjustments arising from the translation of the functional currency into euros are recognized in the subsidiary's statement of income. A country is deemed to suffer from hyperinflation if its cumulative inflation rate over the past three years exceeds 100%. As in 2001/2002, this applies to Turkey.

The exchange rates of the non-euro currencies that have a material impact on the consolidated financial statements are as follows:

1€=	Rate at the Balance Sheet Date 12/31/2003	12/31/2002	Average Rate 1/1/2003 - 12/31/2003	10/1/2002 - 12/31/2002
Pound sterling	0.7048	0.6505	0.6918	0.6364
U.S. dollar	1.2630	1.0487	1.1309	1.0002
Argentine peso	3.7095	3.5340	3.3915	3.5468
Brazilian real	3.6094	3.6920	3.4858	3.6252

C) Accounting Policies

Intangible assets acquired for a consideration are reported at acquisition cost. If the assets are to be used for a limited period, they are amortized on a straight-line basis over their estimated useful life. The useful economic lives applied are as follows:

	Estimated Useful Life (Years)
Patents, licenses, trademarks and similar rights and assets, including licenses for such rights and assets	3 to 15
Capitalized software	3 to 10

A license to mine a raw material used to produce lithium carbonate is amortized according to the extent of its mining. The useful economic life estimated on this basis is 57 years.

Goodwill represents the excess purchase price over the fair market value of assets acquired and liabilities assumed. Until the end of fiscal 2000/2001 it was amortized on a straight-line basis over its estimated useful life. Since 2001/2002, goodwill has been subjected to a two-stage impairment test based on reporting units at least once a year. In the first stage, the reporting unit's fair value is compared with its book value. Fair value is calculated on the basis of estimated future cash flows ('discounted cash flow method'). This procedure is based on certain estimates by management. If the reporting unit's fair value is less than its book value, the goodwill is impaired. In the second stage, the fair value of the reporting unit's goodwill is compared with its book value. The fair value of goodwill is the difference between the reporting unit's fair value and the net fair values of the reporting unit's assets and liabilities. If the fair value of goodwill is below its book value, the difference is reported as an impairment write-down. After mg's fiscal year had been aligned with the calendar year in the previous year, the annually required impairment test was conducted in the fourth quarter of 2003 in accordance with the planning process that had been adjusted to the new fiscal year. This test confirmed that the value of goodwill at December 31, 2003 was not impaired.

The intangible pension asset essentially represents the excess of pension provisions under national accounting rules over those under U.S. GAAP, which had to be capitalized the first time the mg Group applied U.S. GAAP accounting standards. The remaining estimated useful life of this asset is one year. For further information see Note 10)a) 'Provisions for Pensions and Similar Obligations'.

Intangible assets whose useful life is unlimited are not amortized over their useful life, but instead may be amortized as a result of an impairment test carried out at least once a year. Under this procedure, the book value of these assets is compared with their fair value. If their fair value is below book value, they are written down accordingly. The mg Group possesses no such intangible assets at present.

Property, plant and equipment are valued at acquisition or manufacturing cost, less depreciation, over their estimated useful life, as customary in the industry. Manufacturing costs of internally produced plant and equipment include direct costs and allocable manufacturing overheads and depreciation and – where construction takes place over a lengthy period – debt interest over the construction period (qualifying assets). Administrative costs are only capitalized if they are directly related to construction.

The following depreciation methods and estimated useful lives are used in the mg Group:

	Method of Depreciation		Useful Life
	German	Foreign	Years
Buildings and fixtures	straight-line and declining-balance, with transition to straight-line	straight-line	10 to 50
Plant and equipment, other plant	straight-line and declining-balance, with transition to straight-line	straight-line	3 to 30
Office furniture and equipment	straight-line and declining-balance, with transition to straight-line	straight-line	3 to 10

The first-year tax convention, under which the full annual rate of depreciation was charged on mobile assets acquired in the first half of the year and half the annual rate was charged on assets acquired in the second half, was applied during the year under review. The resulting effects are not of material importance for an assessment of the company's net assets, financial position and results of operations. Low-value assets of up to €410 are written off in the year of acquisition and reported as a disposal in the Consolidated Fixed Assets Schedule. The resulting effects and the impact of the transition from the declining-balance method of depreciation to the straight-line method are not material to the true and fair presentation of the Group's net assets, financial position and results of operations.

Under SFAS 144 ('Accounting for the Impairment or Disposal of Long-Lived Assets'), **long-lived assets** (including certain identifiable intangibles and goodwill) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is measured by comparing the estimated future discounted pre-tax cash flows of the related asset to its carrying amount.

Leasing arrangements are classified either as capital leases or operating leases. Leases under which the mg Group as lessee bears all material opportunities and risks arising from the use of the leased asset, and where it is consequently deemed to be the beneficial owner, are treated as capital leases. The leased asset and the corresponding liability are accordingly reported in the consolidated financial statements. The leased asset is generally capitalized at the net present value of future lease installments at the time of the transaction, and a liability to the lessor is recognized. The leased asset is depreciated over the life of the lease. The lease installments consist of interest and principal. The interest payable constitutes an expense, while the principal reduces the lease liability. All other leases in which the Group acts as lessee are treated as operating leases, with resulting lease payments expensed at the time they fall due.

Various companies in the mg Group have entered into **sale-and-leaseback agreements** with respect to both intangible assets and property, plant and equipment. In the case of major leaseback agreements, gains on these disposals are deferred and recognized over the term of the lease or over their estimated useful life. With minor leasebacks, on the other hand, these gains are recognized immediately. In cases where there is neither a minor nor a major leaseback, gains are deferred proportionately and recognized over the term of the lease or over their estimated useful life.

Inventories are valued in accordance with the lower-of-cost-or-market rule, ascertained by comparing the acquisition or manufacturing cost with the mean value of any lower replacement costs, the realizable divestment value or the realizable divestment values less a profit margin. Exchange-traded goods and commodities are marked to market. The cost of acquisition and manufacturing is computed on average cost or the first-in, first-out method. Manufacturing costs include direct costs and attributable manufacturing overheads as well as depreciation charges and production-related administrative costs.

Receivables and sales arising from l**ong-term construction contracts** are reported according to the percentage-of-completion (PoC) method. Long-term construction-type contracts are those that take at least six months to complete, calculated from the date when the contract is awarded until the point at which the contract has essentially been completed.

The percentage of completion is calculated as the ratio of the contract costs incurred at the balance sheet date to the total estimated costs for the entire contract (cost-to-cost method). Discounts are made for risks. Irrespective of the percentage of completion, losses resulting from long-term contracts are recognized in full in the period in which they are determined. After deduction of advance payments relating to the respective contract, contract costs and pro-rata profits from long-term contracts calculated according to the percentage-of-completion method are recognized as unbilled PoC receivables from long-term contracts, less advance payments received. If the advance payments received exceed accrued costs at the balance sheet date, they are reported as a liability under the item ‘Excess of advance payments received over unbilled PoC receivables from long-term contracts’. Long-term construction contracts are valued at manufacturing cost plus a profit proportionate to the percentage of completion.

If contracts do not qualify for the percentage-of-completion method, they are reported under the completed-contract method. This means that income can only be recognized once title to the assets has passed and the contract has been completed. Work in process and incomplete contracts are reported as work in process (from long-term contracts).

Receivables are stated at net realizable value. Allowances against receivables are established depending on the probability that they will be fully or partly realized. Non-interest-bearing and low-interest-bearing receivables maturing in more than one year are discounted at market interest rates at the time they arise and are capitalized at the resulting net present value. Interest is added to these receivables in the following periods at the respective interest rates.

Sales of receivables reduce the carrying amount of receivables (off balance sheet) if the seller has relinquished control over the receivables sold. Under SFAS 140 ('Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities'), this is the case if the following three conditions are met: the seller and its creditors have no access to the receivables (isolation); the buyer can pledge or exchange the receivables; and the seller has no (effective) power of disposal over the receivables owing to a right to repurchase them.

Securities held as investments and marketable securities include available-for-sale securities, which are reported at fair value. They also include held-to-maturity securities, which are stated at amortized cost. Unrealized gains and losses on available-for-sale securities are included in other comprehensive income as a separate component of shareholders' equity, net of applicable deferred income taxes. Unrealized losses that are deemed permanent are recognized in earnings. No trading securities are held.

If there is a firm intention to sell individual assets, a group of assets, or a component of an entity as defined by SFAS 144, these assets must be classified separately as 'discontinued operations'. Individual assets or groups of assets are reported under 'other assets' as **'assets held for sale'** as part of non-fixed assets. If a component of an entity is discontinued or sold, its assets are shown separately on the balance sheet as **'assets from discontinued operations'**. The assets are tested for impairment at the time they are reclassified. The assets are therefore shown at the lower of book value and fair value. Thereafter, these assets are no longer depreciated or amortized. Liabilities sold in connection with assets are reported correspondingly as **'liabilities held for sale'** or as **'liabilities from discontinued operations'.**

Cash and cash equivalents include readily available funds such as checks, cash on hand, credit balances held with banks, and deposits held with Deutsche Bundesbank with a term of up to three months. They also include fixed-term deposits and restricted cash and cash equivalents (including other deposits consisting of non-fixed assets with a residual term of over three months).

Deferred tax assets and liabilities are computed for all temporary differences between the carrying amounts in the respective national tax accounts and those in the U.S. GAAP financial statements included in the consolidated accounts (temporary concept). Deferred taxes are also recognized in relation to various consolidation measures. Deferred tax assets are also recognized for losses carried forward. If deferred tax assets are unlikely to be realized, a valuation allowance is reported. Deferred taxes are computed using national tax rates which, according to the enacted law in the respective countries at the balance sheet date, will apply on the date on which the timing differences are likely to be eliminated or net operating loss (NOL) carryforwards are likely to be utilized.

Certain changes in shareholders' equity included as a separate component are reported as **'accumulated other comprehensive income/loss'**. This includes the cumulative translation adjustment, unrealized gains and losses on the marking-to-market of securities and hedging transactions, and the minimum pension liability.

Accrued liabilities for pensions and other postretirement obligations are valued according to the projected unit credit method. The amounts reported are based on calculations by independent actuaries. Provisions for taxes and other accruals and liabilities are reported when an obligation to a third party exists, there is a likelihood of its crystallization, and its amount can be reasonably estimated. If the amount of the necessary provision or accrual or liability can only be computed to within a certain range, the most likely amount is reported; if the amounts are equally likely, the lowest is reported. Provisions for warranties and for impending losses are computed on the basis of manufacturing costs. Provisions for guarantees covering third-party financial obligations and for guarantees covering changes in the value of underlying instruments are shown at their fair value, irrespective of the likelihood that the obligation will materialize.

Liabilities are reported at their repayment amount. Non-interest-bearing and low-interest-bearing liabilities due after one year are discounted at the prevailing market interest rate as of the balance sheet date. Interest is added to the liabilities in the following periods at this interest rate.

Receivables and liabilities denominated in foreign currency are translated at the rate prevailing at the balance sheet date. Translation gains and losses are generally recognized in income.

Revenue is recognized from the sale of products – after deduction of bonuses and discounts – once title to the assets has passed to the buyer and the contract has been completed. This presupposes that the price has been – or can be – determined and that receipt of the outstanding receivable is likely. In cases where products are supplied on a sale-or-return basis, revenue is not recognized until acceptance has been confirmed by the customer. Revenue from maintenance and service contracts is realized as and when the services are performed. Revenue on long-term contracts is generally recognized under the percentage-of-completion method.

Research and development costs that are not contract related and are not reimbursed by the customer are expensed as incurred. Otherwise they are recognized as part of the contract cost and capitalized.

Basic **earnings per share** is calculated by dividing net income (after minority interests) by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by adjusting the number of shares outstanding for potential dilutive stock options, convertible debt and notes, and profit-sharing rights.

With respect to the Group's stock option plan underlying its **stock-based compensation scheme,** the mg Group applies the provisions of SFAS 123 'Accounting for Stock-Based Compensation' and has elected to account for the options under the fair value method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. The compensation cost for the fiscal year ended – included as part of functional costs – is shown under additional paid-in capital.

The mg Group uses **financial instruments** purely for hedging purposes, in particular in order to mitigate the risk of interest rate fluctuations inherent in financing transactions and to hedge against currency risk and price movements. Fair value hedges are used to hedge assets or liabilities and firm commitments against a clearly defined market risk. Cash flow hedges are used to hedge future cash flows generated by existing balance sheet items, forecasted transactions and currency-hedged firm commitments. Under SFAS 133 ('Accounting for Derivative Instruments and Hedging Activities'), as amended by SFAS 137 ('Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133'), SFAS 138 ('Accounting for Certain Derivative Instruments and Certain Hedging Activities – an Amendment of FASB Statement No. 133'), and SFAS 149 ('Amendment of Statement 133 on Derivative Instruments and Hedging Activities'), all derivatives are reported at their fair value as 'Other assets' or 'Other liabilities'. With fair value hedges, gains and losses resulting from changes in the fair values of derivatives and their underlying transactions are recognized in income. With cash flow hedges, the hedge-effective part of the changes in fair value is initially recognized in shareholders' equity (accumulated other comprehensive income). It is only recorded in the statements of income when the hedged underlying transaction has been recognized in income. The hedge-ineffective part of the changes in fair value is immediately recognized in income. Unrealized gains and losses resulting from changes in the fair value of derivatives not included in hedge accounting (essentially derivatives used to hedge assets and liabilities denominated in foreign currency as well as commodities futures) are always immediately recognized in income.

The preparation of the consolidated financial statements in accordance with the principles of proper accounting requires management to make **estimates** and assumptions that have an impact on the Group's net assets, liabilities, provisions and accrued liabilities, deferred tax assets and liabilities, income and expense shown in the consolidated financial statements as well as the contingent assets and liabilities reported. Although these estimates and assumptions are assumed to be realistic, we cannot guarantee that they turn out to be correct. These estimates and assumptions may contain risks and uncertainties that cause the actual figures to differ from these forward-looking estimates.

New Accounting Pronouncements

In April 2002, the FASB adopted **SFAS 145 'Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections',** which rescinds SFAS 4, 44 and 64, amends SFAS 13 and contains various instructions regarding adoption of the standard. Under this statement, gains and losses resulting from material early repayments of debt are no longer reported as extraordinary items in all cases, but only if the criteria of APB 30 for extraordinary expenses and income are met. The second material amendment relates to capital leases reclassified as operating leases. Income arising from such reclassification must be deferred – as for sale-and-leaseback agreements – and released over the residual term of the lease. This statement is mandatory for the reporting of debt repayments for fiscal years commencing after May 15, 2002. Since May 15, 2002, it has also been mandatory for the deferral of income arising from reclassifications of leases. The new statement did not apply to any items at mg. It therefore had no material impact on the mg Group's net assets, financial position or results of operations.

In June 2002, the FASB published **SFAS 146 'Accounting for Exit or Disposal Activities'.** SFAS 146 replaces EITF 94-3 ('Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)') and concerns the establishment of provisions for liabilities in connection with the discontinuation or disposal of business activities. SFAS 146 essentially prescribes how to account for the cost of granting severance payments that do not form part of an ongoing social plan, costs incurred by the termination of contracts (excluding capital leases), and the cost of relocating employees and of merging or closing down permanent establishments. In departure from the previous statement, SFAS 146 only applies to the cost of severance payments if such payments have not been granted as a result of laws, contracts, articles of incorporation, established practice, or company policy. If SFAS 146 is not applicable, provisions are set aside for severance payments and social plans in accordance with SFAS 88 and SFAS 112. The formation of a provision under SFAS 146 is contingent on the fulfillment of all liability-related criteria. The existence of a formal plan approved by the company's management – as under EITF 94-3 – is no longer sufficient. The expenses must have been incurred to such an extent that the company cannot avoid them. Another new feature is the recognition of provisions at their fair value. SFAS 146 is mandatory for all exit or disposal activities commenced after December 31, 2002 and was therefore first applied throughout the mg Group during the year ended.

In October 2002, the FASB adopted **SFAS 147 'Acquisitions of Certain Financial Institutions – an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9'.** This statement only affects financial services institutions and therefore does not apply to mg.

In December 2002, the FASB published **SFAS 148 'Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of FAS 123'.** As a supplement to SFAS 123 ('Accounting for Stock-Based Compensation'), this statement outlines three alternative methods that can be used when the valuation of employees' stock-based compensation is switched from the intrinsic-value method to the fair-value method. This statement also supplements the information on stock-based compensation required by SFAS 123 in the notes to the accounts. SFAS 148 is mandatory for fiscal years commencing after December 15, 2002. As the mg Group already uses the fair-value method to value stock-based compensation, SFAS 148 has had no impact on its net assets, financial position or results of operations.

In April 2003, the FASB published **SFAS 149 'Amendment of Statement 133 on Derivative Instruments and Hedging Activities'.** This statement is intended to align practice with existing or planned pronouncements and to clarify various issues of its application. For example, SFAS 149 defines what types of transaction are classified as a normal purchase or sale and, as such, are not reported as derivatives under SFAS 133. It also stresses the need to accurately document forward transactions if they are to be exempted from SFAS 133. Furthermore, the statement defines the circumstances under which financial guarantees give rise to a default, which is a precondition for the exemption from reporting such guarantees as derivatives under SFAS 133. SFAS 149 is applicable to contracts that were amended or renewed after June 30, 2003. The adoption of this standard last year had no impact on the mg Group.

In May 2003, the FASB adopted **SFAS 150 'Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity'.** This statement applies to certain forms of preferred stock, issued put options, or financial instruments that create an obligation to issue capital stock. These financial instruments must be accounted for at fair value. SFAS 150 does not cover stock options issued as compensation, which are accounted for under SFAS 123, or convertible bonds. SFAS 150 is applicable to financial instruments issued or modified after May 31, 2003. For existing financial instruments, the statement applies as from the first quarter commencing after June 15, 2003. An FASB Staff Position published in November 2003 exempts certain financial instruments from SFAS 150. As the mg Group currently possesses only a few financial instruments that fall under the scope of SFAS 150, the adoption of this statement has had no material impact on the consolidated financial statements.

In December 2003, the FASB revised **SFAS 132 'Employers' Disclosures about Pensions and Other Postretirement Benefits'.** The new statement essentially broadens employers' duties to disclose assets, liabilities, cash flows and expenses relating to pension plans and other plans granting pensions and other postretirement benefits. For German plans, the new rules apply as from the fiscal year ending after December 15, 2003. For non-German plans, they only apply to fiscal years ending after June 15, 2004. mg has utilized this exempting provision.

In November 2002, the FASB adopted **FIN 45 'Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others, an interpretation of SFAS 5, 57 and 107',** which prescribes the accounting treatment of guarantees and warranties. This stipulates that at the time certain guarantees are issued, a provision corresponding to their fair value must be set aside. Furthermore, this statement widens the scope of the disclosures required in the notes to the accounts. FIN 45 is mandatory for fiscal years ending after December 15, 2002 with respect to the more extensive disclosures required in the notes to the accounts, and has been implemented by the mg Group. The rules relating to the reporting of provisions at fair value apply to certain guarantees and warranties issued or modified after January 1, 2003, and were also implemented on a timely basis by the mg Group. They have had no material impact.

At the end of January 2003, the FASB published **FIN 46 'Consolidation of Variable Interest Entities, an interpretation of ARB No. 51'.** Irrespective of whether a company can exert control over another company by virtue of the voting rights it holds, this statement requires that such interests be consolidated under certain conditions even if the company does not hold a majority of the shares in the interest. According to the FASB's interpretation, the requirement to consolidate such interests depends on the extent to which an investor has a commercial interest in a company ('variable-interest entity'). If the opportunities and risks arising from a variable-interest entity are not shared among its investors according to their shareholdings, the company deemed to be the main beneficiary and bearing most of the risk is required to consolidate the variable-interest entity. FIN 46 was revised in December 2003. These amendments are essentially clarifications and exemptions and have no impact on mg. Owing to its adoption of FIN 46r, mg has consolidated four variable-interest entities for the first time at December 31, 2003. It has also identified one variable-interest entity that does not need to be consolidated (for further information see Note D) 'Scope of Consolidation').

At the end of November 2002, **EITF 00-21 'Accounting for Multiple-Element Revenue Arrangements'** was published in amended form after further discussion. EITF 00-21 addresses the issue of how revenues arising from multiple-element arrangements should be allocated and recognized. The amended version essentially identifies characteristics used to define separate revenue elements of multiple-element arrangements and, consequently, for pro-rata revenue recognition. The amended version of EITF 00-21 applies to agreements concluded in reporting periods commencing after June 15, 2003. It therefore first applied to mg in the fourth quarter of last year. This had no material impact.

In May 2003, the FASB adopted **EITF 01-8 'Determining Whether an Arrangement Is a Lease'.** This is intended to determine whether a sale or purchase agreement – particularly in the context of outsourcing – constitutes a hidden lease. This is usually deemed to be the case if a seller works almost exclusively for one customer or has a liability to the latter, and no fixed purchase price – in the sense of a market price – has been agreed. EITF 01-8 is mandatory for accounting periods commencing after May 28, 2003.

D) Scope of Consolidation

In addition to mg technologies ag, 111 German (prior year: 110) and 307 foreign subsidiaries (prior year: 314) have been fully consolidated as shown in the list of shareholdings. In 2003, 15 subsidiaries were consolidated for the first time and 21 were deconsolidated. mg has consolidated four leasing companies as variable-interest entities in accordance with FIN 46r.

The four leasing companies, which belong to Dynamit Nobel, own various types of equipment and real estate, which are leased to three companies and used in the normal course of business. The leasing companies work exclusively for these three Dynamit Nobel companies.

In the past, the equipment leased by two of the companies was treated as capital leases. The requirement to consolidate these leasing companies has had no material impact on mg's consolidated financial statements. Consolidation has reduced the level of lease liabilities and increased the level of bank debt and other liabilities. The total effect on these two companies amounts to €27.909 million. The book values of leased assets come to €26.907 million and €2.657 million respectively at December 31, 2003.

In the past, the other two companies' leases have been treated as operating leases. The necessary consolidation has increased property, plant and equipment and bank debt by €10.835 million and €16.296 million respectively. The difference arises from the offsetting of deferred income – resulting from a previous sale-and-leaseback agreement – against the property, plant and equipment.

188 subsidiaries have not been consolidated (prior year: 202) because their individual and joint influence on the true and fair presentation of the Group's net assets, financial position, results of operations and cash flows is not material. In addition to the four above-mentioned variable-interest entities that had to be consolidated, the mg Group owns a variable-interest entity that does not have to be consolidated (a trading company belonging to solvadis).

This trading company's business essentially comprises the trading and reworking of metal products and similar manufactures. mg's commercial interest in this company has existed since November 16, 1989 and consists of its shareholding and guarantees in favor of the variable-interest entity. At December 31, 2003, solvadis has fully provisioned all discernible risks arising from this company.

32 associated companies and joint ventures (prior year: 32) are accounted for at equity. A further 62 associated companies (prior year: 64) are reported at cost.

A full list of the shares in other companies held by the Group and mg technologies ag has been filed with the commercial register of the Frankfurt am Main District Court under No. B 8433.

Material Information on Companies Reported at Equity

At December 31, 2003, the associated companies and joint ventures mentioned in the list of major shareholdings are reported at equity.

The following list summarizes the main unaudited key figures of companies reported at equity at December 31, 2003. The relevant figures are given in full and are based on the most recently available annual accounts in each case. For the sake of comparability, the prior year figures have been adjusted to take account of two factors. First, they do not include discontinued operations; and second, a company that filed for bankruptcy last year has been excluded. As the vast majority of the companies reported at equity did not prepare separate annual accounts at December 31, 2002 and, consequently, the data for the short 2002 fiscal year was largely identical to that at the balance sheet date of the last full fiscal year (September 30, 2002), the figures for the last full fiscal year have been repeated for the short 2002 fiscal year. These figures constitute the comparative figures for fiscal 2003.

Figures from the Statements of Income	**1/1/2003 - 12/31/2003 € '000**	10/1/2001 - 9/30/2002 € '000
Revenues	101,672	74,094
Net loss	2,358	1,025

Figures from the Balance Sheets	**12/31/2003 € '000**	9/30/2002 € '000
Total assets	190,167	122,376
Shareholders' equity	64,213	57,674

The growth in total assets is the result of a substantial purchase of fixed assets by one GEA company and the completion of a long-term construction contract by a Lurgi company. This construction contract is also the reason for the rise in revenues.

E) Acquisitions

In **fiscal 2003,** the following significant acquisitions were consolidated under the purchase method of accounting. Accordingly, all assets acquired and liabilities assumed are recorded at fair value.

GEA

In addition to the GEA shares acquired in prior years, the mg Group acquired a further 0.01% of GEA's common stock and 0.03% of its preferred stock in 2003. mg technologies ag therefore held 98.04% of GEA's capital stock at December 31, 2003.

GEA's shares were acquired in two tranches. Effective April 1, 1999, mg acquired a first tranche of 74.85% of the common stock (37.43% of the total outstanding shares) of GEA Aktiengesellschaft, Bochum. Since fiscal 1998/1999, mg technologies ag has made the remaining GEA shareholders the following offer for the remaining outstanding shares: a second tranche consisting of five mg technologies ag shares for three GEA AG common shares, or three mg technologies ag shares for two GEA AG preferred shares.

The following table documents the take-up of mg's exchange offer.

	Preferred Stock	Common Stock	Total
First tranche: Acquired on April 1, 1999	0.00%	74.85%	37.43%
Second tranche: Acquired up to September 30, 1999	5.42%	1.32%	3.37%
Balance at September 30, 1999	5.42%	76.17%	40.80%
Acquired up to September 30, 2000	91.13%	22.70%	56.91%
Balance at September 30, 2000	96.55%	98.88%	97.71%
Acquired up to September 30, 2001	0.41%	0.11%	0.27%
Balance at September 30, 2001	96.96%	98.99%	97.98%
Acquired up to September 30, 2002	0.04%	0.04%	0.03%
Balance at September 30, 2002	97.00%	99.03%	98.01%
Acquired up to December 31, 2002	0.002%	0.003%	0.002%
Balance at December 31, 2002	97.00%	99.03%	98.02%
Acquired up to December 31, 2003	0.03 %	0.01 %	0.02 %
Balance at December 31, 2003	**97.03 %**	**99.04 %**	**98.04 %**

In addition to a cash component, 58,566,723 mg technologies ag shares (2001/2002: 58,553,716 shares) worth a total of €1,835.3 million (2001/2002: €1,835.1 million) were used in the two tranches.

Owing to the minor importance of the newly acquired GEA shares, as in the prior year, the excess of the consideration given for the shares over the fair value of net assets acquired was not calculated separately.

Morris & Young Ltd.

Grasso Holding Ltd., London, U.K., which belongs to GEA, acquired Morris & Young Ltd., London, effective March 1, 2003. The acquisition cost amounted to €654,000. This acquisition gave rise to goodwill of €1.898 million.

Fleissner

Zimmer AG, Frankfurt am Main, acquired Fleissner GmbH & Co. Maschinenfabrik, Egelsbach, Germany, indirectly via Zimmer Betriebs-GmbH, Frankfurt am Main, effective November 14, 2003. The acquisition cost amounted to €26.553 million. This acquisition revealed hidden reserves of €21.1 million. It also gave rise to goodwill of €2.679 million.

During the short 2002 fiscal year from October 1 through December 31, 2002, the following significant acquisitions were consolidated under the purchase method of accounting.

Plate Heat Exchanger Activities of BBP Service Ratingen GmbH

Effective October 10, 2002, GEA Ecoflex GmbH, Sarstedt, Germany, acquired the plate heat exchanger activities of BBP Service Ratingen GmbH, Ratingen, Germany, as part of an asset deal. The acquisition cost amounted to €5.157 million. This gave rise to goodwill of €4.791 million.

Liquid Technologies (New Zealand) Limited and Liquid Technologies Australia PTY Limited

Effective November 12, 2002, Niro NZ Limited, Auckland (New Zealand), and Niro Australia Pty. Ltd., Blackburn (Australia), which belong to GEA, acquired the engineering activities belonging to the liquid processing businesses of Liquid Technologies (New Zealand) Limited, Auckland (New Zealand), and Liquid Technologies Australia PTY Limited, Victoria (Australia), as part of an asset deal. The acquisition cost amounted to €2.074 million. This acquisition gave rise to total goodwill of €1.601 million.

F) Disposal of Businesses

The following businesses were sold or discontinued **during the year under review.** Disposals and exits qualifying as discontinued operations are mentioned under Note G) 'Discontinued operations'.

CeramTec Heimbach Dewatering Technology GmbH

CeramTec Heimbach Dewatering Technology GmbH, Plochingen, Germany, was sold to Leripa Kunststoff GmbH & Co. KG, Rohrbach, Austria, effective March 1, 2003. This resulted in a loss of €107,000.

Stahlbau Plauen

Effective June 27, 2003, mg technologies ag sold the majority of mg Group's heavy structural steel engineering activities (Stahlbau Plauen and Brückenbau Plauen) to Steel Holding AG, Baar, Switzerland, a subsidiary of the Belgian Pirson Group. The remaining shares were sold to a private investor. The disposal resulted in a loss of €26.098 million. The disposal price does not include any goodwill.

No businesses were sold or discontinued during the **short 2002 fiscal year** from October 1 through December 31, 2002.

G) Discontinued operations

SFAS 144 states that continued and discontinued operations must be reported separately. To this end, the assets and liabilities attributable to such activities are combined under one item in the balance sheets as 'Assets from discontinued operations' and 'Liabilities from discontinued operations'. The same applies to the income and expenses attributable to these activities. They are reported in the statements of income as 'Profit/loss on discontinued operations'. This figure does not include any pro rata interest expense attributable to the respective parent company.

The prior year has been adjusted accordingly for the sake of comparability.

As the book value of assets is realized by their disposal rather than by their use, depreciable assets are no longer depreciated once they are classified as assets from discontinued operations.

The consolidated statements of cash flows have been adjusted to take account of the effects of discontinued operations both for the year under review and for the comparative short 2002 fiscal year.

In 2003, solvadis, the Boiler Plant strategic business unit, and various non-core activities of GEA and Dynamit Nobel qualified as discontinued operations.

Although the Executive Board of mg technologies ag decided in October 2003 to concentrate the company's activities on specialty mechanical engineering and plant engineering and subsequently made preparations to sell Dynamit Nobel, Dynamit Nobel is still reported as a continued operation. In line with the fundamental principles of the 'Holzmüller' ruling by in Germany's Federal Court of Justice, the Executive Board of mg technologies ag will seek the Annual Shareholders' Meeting's approval to sell Dynamit Nobel. Consequently, as of the balance sheet date Dynamit Nobel cannot be reported under 'discontinued operations' in accordance with SFAS 144.

As various investors have shown a keen interest in acquiring either all or part of these activities, the Executive Board of mg technologies ag – subject to approval being granted by the Annual Shareholders' Meeting – expects this disposal to have been completed by the end of 2004. In order to illustrate the impact of Dynamit Nobel's disposal on the balance sheets, however, in some cases the figures relating to the Dynamit Nobel companies are given.

solvadis

Once the Executive Board of mg technologies ag had decided to focus the company's activities on specialty mechanical engineering and plant engineering, preparations were made to sell solvadis. Safic-Alcan S.A., Paris, France, which belonged to solvadis, was sold in January 2004 (see below). There are several prospective buyers for solvadis' remaining businesses, so that the Executive Board of mg technologies ag expects its disposal to be completed by the end of 2004.

The (abridged) statement of income for solvadis is as follows:

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Revenues	1,416,038	425,624
Cost of sales	– 1,288,500	– 390,882
Other expenses and income	– 134,944	– 30,636
Pre-tax earnings	**– 7,406**	**4,106**
Income taxes	– 5,926	259
Minority interests	– 23	– 3
Profit/loss on discontinued operations	**– 13,355**	**4,362**

The following assets and liabilities attributable to solvadis are reported in the consolidated balance sheets as 'Assets from discontinued operations' and 'Liabilities from discontinued operations':

	12/31/2003 € '000	12/31/2002 € '000
Intangible assets	56,092	56,255
of which goodwill	55,524	55,524
Property, plant and equipment	34,785	31,821
Investments and long-term financial assets	7,178	19,662
Inventories	72,671	89,000
Receivables and other assets	232,101	213,688
Cash and cash equivalents	5,883	8,803
Sundry assets	17,268	16,479
Assets from discontinued operations	**425,978**	**435,708**
Provisions and accrued liabilities	137,154	117,702
Liabilities	159,313	179,318
Sundry liabilities	2,340	2,296
Liabilities from discontinued operations	**298,807**	**299,316**

Depreciable **fixed assets** continued to be depreciated and amortized throughout the period under review, as the preconditions for reporting them as discontinued operations – and thus for discontinuing their depreciation and amortization – did not exist until December 31, 2003. The useful economic lives are within the bands shown under C) 'Accounting Policies'.

Property, plant and equipment includes land and buildings of €3.958 million on capital leases.

The inventories of a subsidiary belonging to solvadis include exchange-traded merchandise of €49.378 million that is capitalized above historical cost. This generated a gain of €1.643 million. The other inventories of €23.295 million are mainly valued under the weighted average cost method.

The companies in the solvadis segment sold **receivables** under existing factoring agreements, as in the prior year; for further information see Note 4) 'Receivables and Other Assets'.

Provisions and accrued liabilities essentially comprise provisions for pensions (€41.572 million), outstanding suppliers' invoices (€30.817 million) and personnel expenses (€15.215 million).

Liabilities primarily consist of trade payables (€61.218 million), bank debt (€47.883 million), and liabilities arising from financial derivatives (€26.440 million).

For further information on contingent liabilities and other financial obligations in the solvadis segment, please refer to Note 13) 'Commitments and Contingencies'.

On January 16, 2004, retailing company Safic-Alcan S.A., based in Paris, France – which belongs to solvadis ag, Frankfurt am Main, Germany – was sold to French holding company Daniel Lebard Management Development (DLMD) and Alpha-Associés, a French private equity house. This sale includes the disposal of assets worth €228.337 million and a reduction of €6.750 million in goodwill. This deal resulted in a loss of €15.172 million. solvadis recognized the loss of €15.172 million realized on this deal at December 31, 2003 by writing these assets down to their fair value. In 2003, Safic-Alcan generated sales of €954.282 million (prior year: €299.007 million). After its assets had been written down to their fair value, it reported a pre-tax loss of €80,000 (prior year: profit of €3.832 million).

Boiler-Plant business

The disposal of the Boiler Plant business unit, which had been planned for some time, had progressed by the end of 2003 to such an extent that this business was reported as discontinued operations. The Executive Board of mg technologies ag expects it to have been sold by the end of 2004.

The (abridged) statement of income for the Boiler Plant business is as follows:

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Revenues	298,935	69,924
Cost of sales	– 304,980	– 65,355
Other expenses and income	– 22,118	– 5,415
Pre-tax earnings	**– 28,163**	**– 846**
Income taxes	– 933	913
Minority interests	– 881	– 425
Profit/loss on discontinued operations	**– 29,977**	**– 358**

The following assets and liabilities attributable to the Boiler Plant business are reported in the consolidated balance sheets as 'Assets from discontinued operations' and 'Liabilities from discontinued operations':

	12/31/2003 € '000	12/31/2002 € '000
Intangible assets	2,408	2,160
of which goodwill	1,387	1,394
Property, plant and equipment	5,573	5,735
Investments and long-term financial assets	579	628
Inventories	7,810	7,432
Receivables and other assets	121,047	82,552
Cash and cash equivalents	3,786	2,347
Sundry assets	1,545	1,298
Assets from discontinued operations	**142,748**	**102,152**
Provisions and accrued liabilities	52,921	34,701
Liabilities	89,609	65,612
Sundry liabilities	4,144	2,490
Liabilities from discontinued operations	**146,674**	**102,803**

Depreciable **fixed assets** continued to be depreciated and amortized throughout the period under review, as the preconditions for reporting them as discontinued operations – and thus for discontinuing their depreciation and amortization – did not exist until December 31, 2003.

Other discontinued operations

Dynamit Nobel's non-core activities

In 2003, Dynamit Nobel sold its glazing sealing compounds business, which formed part of the specialty chemicals business unit. With effect from June 10, 2003, it transferred ownership of these activities to KÖMMERLING CHEMISCHE FABRIK GmbH, Pirmasens, Germany, as part of an asset deal. The disposal realized a pre-tax gain of €5.974 million, which forms part of the profit/loss on discontinued operations.

There are plans to sell Dynamit Nobel's defense technology business – also as part of an asset deal – in 2004. This completes a further stage in the company's strategy of selling off its defense technology business. A pre-tax loss of €4.800 million on this planned deal was anticipated. Dynamit Nobel recognized this loss in its pre-tax earnings from discontinued operations at December 31, 2003 by writing these assets down to their fair value.

At the balance sheet date, Dynamit Nobel's non-core activities comprised assets of €14.836 million (prior year: €18.690 million) and liabilities of €1.616 million (prior year: €4.553 million). In 2003, its discontinued operations generated sales of €24.806 million (prior year: €9.788 million) and a pre-tax loss of €7.464 million from operating activities (prior year: loss of €18,000). Including the gains on the disposal of the glazing sealing compounds business and the write-down of the defense technology assets, pre-tax earnings from discontinued operations for 2003 came to a loss of €6.290 million.

GEA's Non-Core Activities

In 2003, GEA either sold or decided to sell various non-core activities. Its disposals essentially comprise its filling-systems activities for the automotive industry, which form part of its refrigeration business. The company that runs this business – Rapidcharge Frigofrance SAS, Nantes, France – was sold to Cinetic Industries SAS, Montreuil-sons-Bois, France, effective December 31, 2003. The disposal of this business generated pre-tax earnings of €3.638 million.

In 2003, the sales generated by discontinued operations came to €41.672 million (prior year: €13.901 million) and their pre-tax earnings – reported in the statements of income under 'Profit/loss on discontinued operations' – amounted to a loss of €17.819 million (prior year: loss of €2.036 million). This figure includes a current loss of €12.596 million (prior year: loss of €2.036 million), total disposal proceeds of €3.053 million, and a write-down of €8.276 million on assets held for sale.

Operations for sale comprise assets of €4.579 million (prior year: €31.120 million) and liabilities of €5.128 million (prior year: €12.202 million). These activities are due to be sold by March 2004.

Rapidcharge generated sales of €24.619 million (prior year: €4.8 million) and pre-tax earnings from operating activities of €3.425 million (prior year: €575,000).

Reconciliation to Figures Shown in the Balance Sheets and the Statements of Income

The following table shows the reconciliation of earnings generated by discontinued operations to the profit/loss on discontinued operations reported in the statements of income.

€ '000	Solvadis	Boiler Plant	Non-Core Activities DN	Non-Core Activities GEA	Consoli-dated	P+L Figure
1/1/2003 – 12/31/2003						
Revenues	1,416,038	298,935	24,806	41,672		
Cost of sales	– 1,288,500	– 304,980	– 24,555	– 34,727		
Other expenses and income	– 134,944	– 22,118	– 6,541	– 24,764		
Pre-tax earnings	**– 7,406**	**– 28,163**	**– 6,290**	**– 17,819**		**– 59,678**
Income taxes	– 5,926	– 933	– 598	– 2,740	– 252	9,945
Minority interests	– 23	– 881	–	–	–	– 904
Profit/loss on discontinued operations	**– 13,355**	**– 29,977**	**– 6,888**	**– 20,559**	**– 252**	**– 70,527**
10/1/2002 – 12/31/2002						
Revenues	425,624	69,924	9,788	13,901		
Cost of sales	– 390,882	– 65,355	– 8,719	– 12,034		
Other expenses and income	– 30,636	– 5,415	– 1,087	– 3,903		
Pre-tax earnings	**4,106**	**– 846**	**– 18**	**– 2,036**	**– 120**	**1,086**
Income taxes	259	913	432	– 238	36	1,402
Minority interests	– 3	– 425	–	–	–	– 428
Profit/loss on discontinued operations	**4,362**	**– 358**	**414**	**– 2,274**	**– 84**	**2,060**

The following table shows the reconciliation of assets and liabilities from discontinued operations to the assets and liabilities from discontinued operations as reported on the consolidated balance sheets.

€ '000	solvadis	Boiler Plant	Non-Core Activities DN	Non-Core Activities GEA	Consoli-dated	Balance Sheet Figure
At 12/31/2003						
Intangible assets	56,092	2,408	21	–		
Property, plant and equipment	34,785	5,573	1,679	1,330		
Investments and long-term financial assets	7,178	579	–	–		
Inventories	72,671	7,810	13,136	175		
Receivables and other assets	232,101	121,047	–	1,889		
Cash and cash equivalents	5,883	3,786	–	985		
Sundry assets	17,268	1,545	–	200		
Assets from discontinued operations	**425,978**	**142,748**	**14,836**	**4,579**	**– 121,990**	**466,151**
Provisions and accrued liabilities	137,154	52,921	1,616	3,015		
Liabilities	159,313	89,609	–	1,583		
Sundry liabilities	2,340	4,144	–	–		
Liabilities from discontinued operations	**298,807**	**146,674**	**1,616**	**5,128**	**– 22,568**	**429,657**
At 12/31/2002						
Intangible assets	56,255	2,160	156	–		
Property, plant and equipment	31,821	5,735	4,633	8,119		
Investments and long-term financial assets	19,662	628	–	–		
Inventories	89,000	7,432	13,469	5,406		
Receivables and other assets	213,688	82,552	–	15,654		
Cash and cash equivalentsl	8,803	2,347	–	1,155		
Sundry assets	16,479	1,298	432	786		
Assets from discontinued operations	**435,708**	**102,152**	**18,690**	**31,120**	**– 30,739**	**556,931**
Provisions and accrued liabilities	117,702	34,701	2,652	3,595		
Liabilities	179,318	65,612	1,901	8,203		
Sundry liabilities	2,296	2,490	–	404		
Liabilities from discontinued operations	**299,316**	**102,803**	**4,553**	**12,202**	**– 10,488**	**408,386**

H) Restructuring

In 2003, the Executive Board of mg technologies ag took the decision to focus the mg Group's strategy on specialty mechanical engineering and plant engineering. The chemicals activities at Dynamit Nobel and solvadis were put up for sale. The proceeds from their sale will be used to pay down the mg Group's debt and to strengthen its remaining operations. The strategic refocus will also involve a comprehensive restructuring of the remaining activities. The restructuring program includes a portfolio optimization for Lurgi and Lurgi Lentjes, which form part of the industrial plant engineering business; the dismantling of redundant holding-company structures; and the implementation of various initiatives to improve efficiency.

In order to improve the earnings situation and risk position of Lurgi and Lurgi Lentjes, those businesses with poor profitability and weak market positions will be sold. In the future, **Lurgi** will focus on extending its market and technology leadership in the fields of methanol, gas-to-chemicals, and food, which includes activities such as bio-fuels and renewable resources. Lurgi is already a market and technology leader in the supply of technologies used to produce methanol. Almost 60 percent of global methanol production is based on Lurgi's technology. By contrast, its refinery technology, chemicals and pharmaceuticals businesses are to be sold. This restructuring will particularly affect its former Life Science activities. Once its portfolio has been optimized, Lurgi Lentjes will focus on the cleaning of waste gases and contaminated air for process industries and desulfurization systems for power plants. The denitrification and dedusting technologies for waste incineration and power plant engineering, which currently belong to the flue-gas cleaning business, are to be discontinued. Overall, the Executive Board of mg technologies ag expects that these portfolio adjustments will cut approximately five hundred jobs in these two segments.

The decision to streamline the mg Group's structure in the wake of its strategic refocus started to be implemented last year in the form of preparations to dismantle the holding companies of the Lurgi and Lurgi Lentjes subgroups. There are also plans to merge Lurgi Energie und Entsorgung GmbH, Ratingen, Germany, and Lentjes Shared Services GmbH, Düsseldorf, Germany, with Lurgi Lentjes AG, Düsseldorf, in 2004.

In addition, measures aimed at merging GEA's holding company with the mg Group's holding company in Frankfurt am Main were initiated at the beginning of 2004 (for further information see Note 25) 'Subsequent Events'). Headcount at the mg Group's holding company in Frankfurt had been cut to 92 by December 31, 2003 (prior year: 128). The target is to reduce the total number of employees at both holding companies to less than 100 by the time the merger has been completed.

Costs of €121.535 million were incurred in 2003 (prior year: €7.530 million) for measures adopted as part of mg's strategic refocus for its continued operations: these included the restructuring and reorganization of the industrial plant engineering business, the early termination of contracts with executive directors, the dismantling of redundant holding-company structures, and the improvement of efficiency. These costs are shown separately in the statements of income (see Note 18) 'Restructuring Costs'). Restructuring costs of €8.392 million (prior year: €680,000) were incurred for its discontinued operations. These are included in 'Profit/loss on discontinued operations'.

1) Fixed Assets

The changes in fixed assets are shown in the Consolidated Fixed Assets Schedule.

Intangible assets essentially comprise goodwill, patents and licenses. The licenses include a permit worth €17.510 million (prior year: €21.536 million) to mine a raw material used in the production of lithium carbonate. The license is amortized according to the extent to which the raw material is mined. The residual useful economic life estimated on this basis is 52 years. The fall in its carrying amount is mainly due to movements in the euro/U.S. dollar exchange rate.

Intangible assets also include a leased standard software license worth €7.205 million (prior year: €10.524 million); because this software license is on a capital lease, the mg Group is deemed to be its beneficial owner (for further information see Note 2) 'Leasing').

The mg Group first adopted SFAS 142 ('Goodwill and Other Intangible Assets') in 2001/2002. The annually required impairment test was conducted in the fourth quarter of the fiscal year in accordance with the planning process. This test revealed no need for impairment write-downs. The changes in goodwill for each segment are shown under Note 26) 'Segment Reporting'.

The impairment test conducted in accordance with SFAS 144 identified a need for valuation allowances of €860,000 on software and licenses.

Intangible assets acquired in 2003 have a weighted-average useful life of 8.2 years (patents, licenses, trademarks and similar rights and assets, including licenses for such rights and assets) and 4.5 years (software).

The following amortization costs are expected in future years for the intangible assets reported at December 31, 2003:

Up to December 31	Expected Amortization of Intangible Assets € '000
2004	16,274
2005	10,774
2006	5,601
2007	2,767
2008	2,278

Property, plant and equipment includes land and buildings, plant and equipment, and office furniture and equipment of €80.051 million on capital leases (prior year: €82.591 million). €73.276 million (prior year: €74.804 million) of this amount is attributable to Dynamit Nobel (for further information see Note 2) 'Leasing').

The impairment test conducted in accordance with SFAS 144 identified a need for valuation allowances of €4.559 million on property, plant and equipment; this amount is mainly reported under the cost of sales. These valuation allowances largely relate to land and buildings, mainly at Lurgi. The computation of the valuation allowances needed is largely based on expert opinions.

At the balance sheet date, the mg Group reported **loans** of €68.966 million (prior year: €66.266 million), €38.790 million (prior year: €32.638 million) of which contained valuation allowances. These valuation allowances were as follows in 2003:

	Valuation Allowances on Loans € '000
Balance at 12/31/2002	32,638
Additional charges	7,797
Amounts reversed	– 16
Price differences	– 1,629
Balance at 12/31/2003	**38,790**

The **investments and long-term financial assets** include receivables arising from a direct capital lease between a company belonging to Dynamit Nobel and MCC Micro Compact Car ('Smart Car') and its subsidiaries. This lease covers the transfer of certain production facilities, the development of a module, and a supply agreement. The lease runs for twelve years. The lease receivables amounted to €39.680 million (prior year: €44.257 million) at December 31, 2003. An obligation of the same amount under this agreement is included under liabilities, as the company is the lessee. Total interest income of €6.862 million will be generated in future years over the residual life of the project.

The following schedule shows the discounted minimum lease payments receivable under the direct capital lease at December 31, 2003 by maturity:

Year Ending December 31	€ '000
2004	6,878
2005	6,551
2006	6,248
2007	5,959
2008	5,665
Danach	8,379
Total minimum lease payments receivable	**39,680**

2) Leasing

In addition to the capital leases mentioned under Note 1) 'Fixed Assets', the mg Group uses various operating leases. The cost of these operating leases amounted to €104.416 million in 2003 (prior year: €27.672 million). €38.119 million (prior year: €9.201 million) of this amount is attributable to Dynamit Nobel.

Future minimum lease payments for operating and capital leases with an original or residual life of more than one year are reported separately and explained under ‘Other financial obligations’. At December 31, 2003, they were spread over future years as follows:

Year Ending December 31	Capital Lease € '000	Operating Lease € '000
2004	10,688	93,642
2005	11,045	87,084
2006	7,748	64,137
2007	5,498	53,353
2008	4,990	47,317
Thereafter	44,967	217,167
Total minimum lease payments	**84,936**	**562,700**
Less amounts representing interest	26,403	
Present value of obligations under capital lease	**58,533**	

Future lease payments receivable of €74.719 million will be earned from non-callable sub-leases – largely operating leases – over a period of up to eleven years. None of these revenues are attributable to Dynamit Nobel.

3) Inventories

	12/31/2003 € '000	12/31/2002 € '000
Raw materials and supplies	180,675	199,283
Work in process	240,746	295,764
thereof relating to long-term contracts	(57,704)	(75,855)
Finished goods and merchandise	235,967	245,800
Advances to suppliers	36,054	36,019
Advances received from customers	– 75,426	– 148,255
Total	**618,016**	**628,611**

Dynamit Nobel’s companies hold total inventories of €299.919 million (prior year: €300.303 million).

Inventories are valued in accordance with the lower-of-cost-or-market rule and market conditions taken into consideration in terms of replacement costs, realizable values or realizable values less a profit margin.

4) Receivables and Other Assets

Receivables and other assets were as follows at the balance sheet date:

	12/31/2003 € '000	12/31/2002 € '000
Gross trade receivables	1,022,972	976,745
Other receivables and other assets	420,539	419,426
Total	**1,443,511**	**1,396,171**

Receivables and other assets of €277.138 million (prior year: €248.399 million) are attributable to Dynamit Nobel.

Trade receivables comprise the following:

	12/31/2003 € '000	12/31/2002 € '000
Gross trade receivables	835,660	737,669
Less valuation allowance	– 90,004	– 51,935
	745,656	685,734
Unbilled receivables from long-term contracts	2,681,998	2,263,350
net of advance payments received	– 2,404,682	– 1,972,339
	277,316	291,011
Total	**1,022,972**	**976,745**

Other receivables and other assets are composed as follows:

	12/31/2003 € '000	12/31/2002 € '000
Receivables from affiliated companies	65,005	67,298
Less valuation allowance	– 30,727	– 40,775
	34,278	26,523
Receivables from associated and related companies	21,531	27,872
Less valuation allowance	– 10,808	– 10,033
	10,723	17,839
Other receivables and other assets	439,527	457,308
Less valuation allowance	– 63,989	– 82,244
	375,538	375,064
Total	**420,539**	**419,426**

Other receivables and other assets include receivables from tax authorities of €76.918 million (prior year: €89.012 million), financial derivatives of €51.437 million (prior year: €43.480 million) and assets held for sale amounting to €31.134 million (prior year: €0 million).

Assets held for sale essentially consist of the assets sold in the project company Daimlerstrasse GmbH & Co. KG, Frankfurt am Main. At the balance sheet date, mg planned to sell 68% of the capital stock in this project company to third parties (for further information see Note 25) 'Subsequent Events'). This proportion of its assets is therefore reported as 'assets held for sale'. The same applies to the company's divested liabilities, which are reported as 'liabilities held for sale' (for further information see Note 11) 'Liabilities').

Receivables and other assets that mature after more than one year are as follows:

Due after more than one year	12/31/2003 € '000	12/31/2002 € '000
Gross trade receivables	16,993	5,895
Receivables from affiliated companies	1	283
Receivables from associated and related companies	1,313	7
Other receivables and other assets	65,584	70,104
Total	**83,891**	**76,289**

Some Group companies entered into **factoring agreements and asset-backed securitizations** with various banks and financial services providers.

The purpose of **factoring agreements** is the sale of receivables, under which the payment risk is transferred to the buyer of the receivables. Where sellers of receivables have assumed blanket liability on a limited scale, this obligation has been reported at its fair market value. The excess up to the maximum level of liability is reported under 'Other financial obligations'. Where sellers of receivables perform the collection of receivables sold, a market-rate fee is agreed for this service.

Under an **asset-backed securitization program** various companies in the mg Group sells short-dated trade receivables to a qualifying special-purpose entity on a revolving basis. The special-purpose entity is an independent trust that meets the criteria of a qualifying special-purpose entity and is therefore not consolidated by mg pursuant to SFAS 140 ('Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities') and FIN 46r.

The Group continues to service (and collect) the receivables sold under the ABS program. The market-rate fees agreed for these services are offset pro rata temporis against the administrative fees paid by the Group for these transactions. The purchase price for the receivables sold is derived from their nominal amount less a contractually agreed discount, which contains a certain amount to cover future financing and administration costs and any risks arising from the sale of receivables. The purchase price is paid in two installments. While the first installment is paid as soon as the receivables are sold, the second is not paid until the receivables sold have been repaid.

Asset-backed securitizations are generally recognized in income at the time the receivables are sold and when the monthly fees are billed for qualifying special-purpose entities. Where these expenses relate to commitment fees for credit lines under these transactions, they are recognized in the statements of income as incidental payment costs. The administrative fees incurred are reported as administrative expenses.

At December 31, 2003, the mg Group had sold receivables of €237.258 million (prior year: €303.165 million) under **factoring agreements and asset-backed securitizations** that are not shown on the balance sheet. Discontinued operations accounted for €28.750 million (prior year: €69.007 million), which relates to solvadis. Most of the remaining receivables were sold by Dynamit Nobel companies.

Of the total receivables sold at the balance sheet date, receivables of €46.443 million (prior year: €88.319 million) were sold under the **ABS program.** These relate exclusively to Dynamit Nobel. The prior-year figure also includes receivables sold by solvadis. However, solvadis left the ABS program during the year under review. Total cash flows between Dynamit Nobel and solvadis, on the one hand, and the qualifying special-purpose entity, on the other, in 2003 and in the prior year were as follows:

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Continued operations (Dynamit Nobel)		
Total receivables sold under ongoing ABS transactions over the 12 (prior year: 3) month period	694,763	199,046
Amounts collected for receivables sold under ABS transactions	697,533	195,604
Total fees for ABS transactions, less payments received for servicing	2,010	737
Discontinued operations (solvadis)		
Total receivables sold under ongoing ABS transactions over the 12 (prior year: 3) month period	295,373	95,014
Amounts collected for receivables sold under ABS transactions	329,133	100,476
Total fees for ABS transactions, less payments received for servicing	672	244

In 2003 – as in previous years – the mg Group received payments for receivables that had already been sold by the previous balance sheet date. Payments received during the current fiscal year therefore do not only include receivables sold to the qualifying special-purpose entity in 2003.

5) Securities

Short- and long-term securities are broken down as follows:

	12/31/2003 € '000	12/31/2002 € '000
Long-term securities	3,466	1,824
Short-term securities	12,175	64,185
Total	**15,641**	**66,009**
Thereof		
Available for sale (at fair value)	15,569	63,505
Held to maturity (at amortized cost)	72	2,504
Total	**15,641**	**66,009**

The securities attributable to Dynamit Nobel are not of material importance. Marketable securities attributable to continued operations were classified as follows at December 31, 2003:

	Amortized Cost € '000	Gross Unrealized Gain € '000	Gross Unrealized Loss € '000	Fair Value € '000
12/31/2003				
Available for sale				
Equity	5,329	1,405	-9	6,725
Debt	8,772	72		8,844
Total available for sale	14,101	1,477	-9	15,569
Held to maturity				
Debt	72	-	-	72
Total held to maturity	72	-	-	72
Total	**14,173**	**1,477**	**-9**	**15,641**
12/31/2002				
Available for sale				
Equity	22,456	25	-7,975	14,506
Debt	48,176	823	-	48,999
Total available for sale	70,632	848	-7,975	63,505
Held to maturity				
Debt	2,504	2	-	2,506
Total held to maturity	2,504	2	-	2,506
Total	**73,136**	**850**	**-7,975**	**66,011**

Contractual maturities of debt securities, regardless of their balance sheet classification, are given in the following schedule:

Contractual Maturity	Amortized Cost € '000	Fair Value € '000
Due in		
2004	8,652	8,724
2005-2007	125	125
Thereafter	67	67
Total	**8,844**	**8,916**

Actual maturities may differ from contractual maturities because borrowers have the right to call or repay certain obligations.

Proceeds from the sale of available-for-sale securities amounted to €83.549 million in 2003 (prior year: €20.000 million). Purchases of securities came to €32.420 million (prior year: €9.458 million). Gross gains of €2.129 million (prior year: €1.841 million) and losses of €6.410 million (prior year: €70,000) were realized on those sales and are reported as 'Other income' and 'Other expenses'.

In 2003, losses of €118,000 (prior year: €2.271 million) from 'Accumulated other comprehensive income/loss' were expensed in the statements of income and reported as 'Write-down of investments and long-term financial assets and marketable securities', as the impairment of the securities in question is not expected to be merely temporary. The gains and losses realized in 2003 were calculated based on a specific valuation of these securities.

6) Cash and Cash Equivalents

Restricted cash and cash equivalents of €12.730 million were held at December 31, 2003 (prior year: €4.737 million). The majority of these relate to the settlement of the Customer Cases II lawsuit reached during the year under review (for further information see Note 14) 'Litigation'). The prior-year amounts relating to deposits held at the bankrupt Gontard & MetallBank AG i.I. were liquidated in 2003.

In accordance with SFAS 95 ('Statement of Cash Flows'), the **consolidated statements of cash flows** have been broken down into operating activities, investing activities and financing activities. Any effects resulting from changes in the scope of consolidation and exchange rate influences have been adjusted accordingly in the three above-mentioned sections. Non-cash expenses mainly comprise gains and losses of companies reported at equity as well as losses on securities transactions realized in 2003. Cash flows from the sale and acquisition of businesses in the 'investing activities' section have been adjusted for outflows and inflows of cash and cash equivalents.

DVFA/SG cash flow comes to €97.038 million (prior year: €21.780 million). Net cash provided by asset management activities amounts to €39.809 million (prior year: cash outflow of € 64.767 million). This results in net cash of €136.847 million provided by operating activities (prior year: cash outflow of €42.987 million). Allowing for the net cash used for investing activities, free cash flow comes to minus €36.889 million (prior year: cash outflow of €96.501 million).

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Net loss	– 198,600	– 30,998
Adjustment for net profit/loss on discontinued operations	69,623	– 2,488
Depreciation and amortization of fixed assets	212,953	48,783
Other non-cash expenses	2,644	22
Change in pension reserves	10,418	6,461
= **DVFA/SG cash flow**	**97,038**	**21,780**
+ Net cash provided by (used for) asset management activities	39,809	– 64,767
= **Net cash provided by (used for) operating activities**	**136,847**	**– 42,987**
+ Net cash used for investing activities	– 173,736	– 53,514
= **Free cash flow**	**– 36,889**	**– 96,501**

Supplemental cash flow information

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Cash paid for interest	– 79,607	– 10,819
Cash paid for taxes	– 51,130	– 12,453

7) Prepaid Expenses

This item essentially comprises rents, vehicle tax, and insurance premiums. As of December 31, 2003, the total amount came to €29.697 million (prior year: €33.951 million), €23.125 million (prior year: €27.531 million) of which was deferred for less than one year.

8) Shareholders' Equity

Capital stock

The capital stock of mg technologies ag totaled €496.890 million at the balance sheet date. It consists of 194,366,618 no par value bearer shares. Changes in capital stock during the year were as follows:

	€
Balance at December 31, 2002	494,246,972
Increase in capital stock pursuant to the resolution adopted by the Annual Shareholders' Meeting on March 31, 2000	2,610,145
Increase in capital stock pursuant to the resolution adopted by the Extraordinary Shareholders' Meeting on August 20, 1999	33,252
Balance at December 31, 2003	**496,890,369**

Each equity security accounts for a rounded notional €2.56 (DM 5) of the capital stock.

1,021,000 options were exercised and exchanged for 1,021,000 mg shares under the 2000/2003 stock option program based on the authorization granted by the Annual Shareholders' Meeting on March 31, 2000 to increase the conditional capital.

Pursuant to the resolution adopted by the Extraordinary Shareholders' Meeting on August 20, 1999 concerning the increase of conditional capital, 2,487 GEA common shares and 5,908 GEA preference shares were exchanged for 13,007 mg technologies ag shares in 2003.

Authorized Capital

	Resolution Adopted by Annual Shareholders' Meeting	Expiring on	Amount €
Authorized capital I	March 28, 2002	March 27, 2007	77,000,000
Authorized capital II	March 27, 1997	March 26, 2002 – expired	–
Authorized capital III	March 31, 2000	March 30, 2005	75,000,000
Authorized capital IV	April 2, 1998	April 1, 2003 – expired	–
			152,000,000

With the authorized capital I, the Executive Board is authorized, with Supervisory Board approval, to increase the share capital by issuing new no par value shares against cash contributions on one or more occasions and, in doing so, to determine a starting date for profit participation other than that stipulated by law pursuant to section 5 (4) of the articles of incorporation.

The authorized capital III allows the capital stock to be increased through the issue, on one or more occasions, of new no par value shares against non-cash contributions, and the Executive Board may, pursuant to section 5 (4) of the articles of incorporation, determine a starting date for profit participation other than that stipulated by law. Furthermore, the Executive Board is authorized, with Supervisory Board approval, to decide on the exclusion of subscription rights and to determine the further details of the capital increase and the conditions governing the issuance of shares.

Conditional Capital

	12/31/2003 € '000	12/31/2002 € '000
Stock option program	25,510,908	28,121,053
GEA shareholders' right to compensation pursuant to section 305 of the German Joint Stock Corporation Act (AktG)	3,210,619	3,243,871
Convertible participatory capital	1,278	1,278
	28,722,805	**31,366,202**

By resolution of the Extraordinary Shareholders' Meeting of August 20, 1999, the conditional capital was increased by a total of €101,804,881, divided into up to 39,822,608 bearer shares. The increase in conditional capital is utilized for compensation payments in the form of shares of mg technologies ag to external shareholders of GEA Aktiengesellschaft, Bochum. The exchange ratio is five mg technologies ag shares for three common shares of GEA Aktiengesellschaft or three mg technologies ag shares for two preferred shares of GEA Aktiengesellschaft. The conditional capital increase will only be carried out to the extent that external shareholders of GEA Aktiengesellschaft utilize their right to compensation. For further details, please refer to the comments on capital stock.

For further information on the conditional capital relating to the stock option program, please refer to the sections below.

Stock Option Program

As part of a stock option program based on a conditional capital of €28,121,053, the Annual Shareholders' Meeting of mg technologies ag of March 31, 2000 decided to authorize the Executive Board, with Supervisory Board approval, to issue on one or more occasions up to 11 million **option rights** with a maximum maturity of five years to Group executives on or before September 30, 2005. Shareholders' statutory subscription rights are excluded.

The stock option program has been offered annually to executives of the mg Group in tranches, each of which runs for a period of three years.

The option rights were offered to eligible participants for subscription for a period of four weeks, starting from the respective Annual Shareholders' Meeting.

Eligible executives had the right to convert the option rights into shares of mg technologies ag at a ratio of 1 for 1. The purchase rights may only be exercised during a period of four weeks following the Annual Shareholders' Meeting in the third fiscal year after the option rights have been issued. The aim of the program is to increase average pre-tax earnings per share (pre-tax EPS) during the three-year period between subscription and exercise of such rights (EPS performance value) in relation to average pre-tax EPS during the three years prior to subscription (base EPS value). This quotient constitutes the profit increase factor. The options can only be exercised if the EPS performance value exceeds the base EPS value, i.e. if the profit increase factor is at least 1 (program target).

The purchase price for one mg no par value share is determined by dividing the share's market price by the profit increase factor at the time of exercise. The applicable market price is the mean of the closing prices for the share in Xetra trading on the Frankfurt Stock Exchange over the five trading days following the Annual Shareholders' Meeting of mg technologies ag in the year of the respective exercise.

In June 2000, those eligible had the opportunity to decide whether to participate in the stock option program. To this end, mg technologies ag issued 1,410,000 option rights (2000/2003) in July 2000 (tranche III). Eligible participants were able to exercise the option rights after the 2003 Annual Shareholders' Meeting. All option rights remaining after employees had left the company in the meantime were exercised, so that there were no option rights from the program outstanding at December 31, 2003.

In April 2001, those eligible again had the opportunity to decide whether to participate in the stock option program. To this end, mg technologies ag issued 1,557,000 option rights (2001/2004) in July 2001 (tranche IV). Eligible participants can exercise the option rights after the Annual Shareholders' Meeting in 2004 provided the program target is met. The number of option rights issued in this tranche fell to 1,109,000 at December 31, 2003 owing to the fact that some eligible participants had left the company. This was the first time that the program target was not achieved; the profit increase factor was less than 1. The eligible participants were therefore unable to exercise their option rights, and all 2001/2004 option rights thus expired.

In April 2002, those eligible had a further opportunity to participate in the stock option program. To this end, mg technologies ag issued 1,633,000 option rights (2002/2005) in June 2002 (tranche V). Eligible participants can exercise the option rights after the Annual Shareholders' Meeting in 2005 provided the program target is met. The number of option rights issued in this tranche fell to 1,249,000 at December 31, 2003 owing to the fact that eligible participants had left the company.

In June 2003, those eligible had their final opportunity to participate in the stock option program. To this end, mg technologies ag issued 1,464,000 option rights (2003/2006) in July 2003 (tranche VI). Eligible participants can exercise the option rights after the Annual Shareholders' Meeting in 2006 provided the program target is met. The number of option rights issued in this tranche fell to 1,396,000 at December 31, 2003 owing to the fact that eligible participants had left the company.

Despite the fact that mg has aligned its fiscal year with the calendar year, the outstanding tranches of the stock option program will continue to be based on a 12-month period ending on September 30.

The 2003/2006 tranche was the last one to grant stock options based on the resolution adopted by the Annual Shareholders' Meeting on March 31, 2000.

The key data of this stock option program are as follows. The option rights for tranches I and II were based on convertible bonds.

	Expected Average Conversion Price	Number of Options	Weighted Average Remaining Life
Balance at 9/30/1999	**7.78**	**720,400**	
Granted (tranche III)	8.73	1,410,000	April 2003
Exercised	–	–	
Expired	7.53	– 61,000	
Converted	–	–	
Balance at 9/30/2000	**8.44**	**2,069,400**	
Granted (tranche IV)	5.81	1,557,000	April 2004
Exercised	–	–	
Expired	4.49	– 165,000	
Converted (tranche I)	7.10	– 298,000	April/May 2001
Balance at 9/30/2001	**4.41**	**3,163,400**	
Granted (tranche V)	6.02	1,633,000	April 2005
Exercised	–	–	
Expired	5.49	– 219,000	
Converted (tranche II)	6.90	– 290,400	April/May 2002
Balance at 9/30/2002	**5.63**	**4,287,000**	
Granted	–	–	
Exercised	–	–	
Expired	4.93	– 56,000	
Balance at 12/31/2002	**5.12**	**4,231,000**	
Granted (tranche VI)	N.N.	1,464,000	June 2006
Exercised (tranche III)	6.41	1,021,000	June 2003
Expired	–	920,000	
Balance at 12/31/2003	**N.N.**	**3,754,000**	

The profit increase factor for the stock option program launched in April 2000 (tranche III) is 1.36058. This resulted in a discount of 26.5% on the share price during the 2003 subscription period.

The fair value of the options is calculated by an actuary at the grant date based on a modified Black-Scholes model. The fair value of tranche VI of the stock option program (expense per share) came to €1.49 per option at the date of issue. The fair value of each option under tranche V came to €1.90. The following parameters were used to calculate the fair value of tranche VI:

Parameters	Specific Terms
Volatility of mg share price	56.4% over a three-year period
Volatility of EPS increase	60.9%
Correlation between stock yield and EPS	Correlation coefficient of 0.4241
Risk-free interest rate	2.46%
Dividend yield	2.7%

As described above, the calculation of the conversion price is based on the future share price and the EPS performance value. Stating the conversion price thus requires us to predict both of these variables. The uncertainty inherent in any forecast is further compounded in the case of the EPS performance value by last year's one-off charges, which have depressed the mg Group's earnings. It is uncertain whether the EPS performance value for tranches V and VI will exceed the base EPS value so that the options can be exercised. For this reason, no estimate of the expected conversion price for these two tranches has been given this year.

Employee Share Ownership Program

On April 2, 1998, the Annual Shareholders' Meeting of mg technologies ag (still Metallgesellschaft AG at the time) adopted a resolution to launch an employee share ownership program (ESOP)for Group employees on the basis of an 'authorized capital'. The Executive Board of mg was authorized, with Supervisory Board approval, to increase mg's capital stock by up to €7.669 million on or before April 1, 2003 by issuing new bearer shares ('staff shares') on one or more occasions to employees of mg and its affiliated companies resident in Germany as part of an employee share ownership program. Employees can purchase no par value bearer shares of mg. Eligible participants are all mg Group employees resident in Germany who have an unterminated employment or training contract at the time they agree to participate in the program and at the time the two-year subscription period expires. These employees may only participate and acquire stock-purchasing rights in their own name and for their own account. The stock-purchasing rights may not be transferred or pledged. Once they have agreed to participate, all eligible employees have the right to purchase either 50, 100 or 200 staff shares two years after they agree to participate. Employees may participate once a year during a four-week period following the Annual Shareholders' Meeting of mg technologies ag ('subscription period').

The purchase price for employees is calculated as the mean of the closing prices for mg shares in Xetra trading on the Frankfurt Stock Exchange over the five trading days following the Annual Shareholders' Meeting of mg technologies ag in the year of the respective agreement to participate in the employee share ownership program, and is fixed on the last of these five trading days, i.e. the purchase price is fixed at the start of the respective employee share ownership program tranche, two years prior to the exercise period.

Once the two-year waiting period has elapsed, employees participating in the employee share ownership program may exercise their purchase rights within four weeks of the second trading day after the second Annual Shareholders' Meeting of mg technologies ag following the respective agreement to participate ('exercise period').

During the exercise period, participants can choose to buy the shares and place them in a securities account, to buy and then sell them immediately, or not to exercise their purchase rights at all. In order to prevent employees from suffering losses if mg's share price performs poorly, their agreement to exercise their purchase rights is only valid (and is therefore merely conditional) if mg's share price is above the purchase price at the time the purchase right is exercised; the sell order is therefore limited.

If the right to purchase shares on this basis has not been exercised by the time the exercise period expires, the respective employees' purchase rights expire and their initial down payment is reimbursed with interest.

The employee share ownership program has run five times since 1998. Because of the performance of mg's share price, participants have been unable to exercise any of the tranches to date. All participants have therefore been reimbursed their initial down payment with interest. The fifth and final tranche (2002 ESOP) will be exercised immediately after the 2004 Annual Shareholders' Meeting. The purchase price for each of these options is €10.90. They will be sold with effect from and at the price quoted in the first intraday auction in XETRA trading on the Frankfurt Stock Exchange on the day on which the bank receives the exercise notice.

Since the previous employee share ownership program expired in 2003, no new program has been launched.

Tranches IV (2001 ESOP) and V (2002 ESOP) of the employee share ownership program have performed as follows:

	2001 ESOP	2002 ESOP
Number of participants registered in April 2001 and 2002	1,534	1,058
Equivalent number of shares	282,900	195,050
Balance at 9/30/2001		
Participants at balance sheet date	1,526	n.a.
Equivalent number of shares	281,450	n.a.
Number of participants leaving mg	8	n.a.
Percentage of participants leaving mg	0.5	n.a.
Balance at 9/30/2002		
Participants at balance sheet date	1,480	1,051
Equivalent number of shares	272,800	193,950
Number of participants leaving mg	54	7
Percentage of participants leaving mg	3.5	0.7
Balance at 12/31/2002		
Participants at balance sheet date	1,430	1,051
Equivalent number of shares	263,350	193,950
Number of participants leaving mg	104	7
Percentage of participants leaving mg	6.8	0.7
Balance at 12/31/2003		
Participants at balance sheet date	n.a.	1,028
Equivalent number of shares	n.a.	189,750
Number of participants leaving mg	n.a.	30
Percentage of participants leaving mg	n.a.	2.8

The fair value of these options is calculated at their grant date using a Black-Scholes model. The fair value of each option under the 2002 ESOP came to €2.78 at their grant date; the fair value of each option under the 2001 ESOP was €2.40.

Total compensation expense recognized for the stock option program and the employee share ownership program amounted to €1.597 million in 2003 (three-month prior-year period: €851,000). The lower expense in relative terms compared to the short 2002 fiscal year is due to the fact that several executives left the stock option program last year.

Retained Earnings

The Executive Board was authorized by the Annual Shareholders' Meeting resolution of June 3, 2003 to purchase the company's outstanding shares pursuant to section 71 (1) No. 8 AktG. Based on this authorization, mg technologies ag purchased a total of 1,269,838 of its own shares in August and October 2003. In October 2003, the company sold all of its own shares it had purchased during that year. The resultant book profit of €1.154 million was transferred directly to the company's retained earnings.

The following schedule gives a monthly breakdown of the shares purchased and sold by mg technologies ag in 2003:

Month	Number of Shares	Amount of Capital Stock € '000	Percentage of Capital Stock %	Purchase/ Selling Price € '000
Purchased in August	650,000	1,662	0.33	5,524
Purchased in October	619,838	1,584	0.32	6,337
Sold in October	1,269,838	– 3,246	– 0.65	13,015
Balance at 12/31/2003	**0**	**0**	**0**	**1,154**

Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss were as follows:

	12/31/2003 € '000	12/31/2002 € '000
Accumulated other comprehensive loss at beginning of period under review	**– 94,579**	**– 79,049**
Unrealized holding gains on available-for-sale securities	4,187	859
Realized losses on available-for-sale securities	4,400	500
Tax effect of available-for-sale securities	– 3,374	– 515
Total gains on available-for-sale securities	**5,213**	**844**
Unrealized holding gains on cash flow hedges	21,343	8,705
Realized gains on derivatives	– 12,882	– 3,346
Tax effect of derivatives	– 4,441	– 1,874
Total gains on derivatives	**4,020**	**3,485**
Foreign currency translation adjustments	**– 70,144**	**– 16,785**
Change in minimum pension liability	– 30,505	– 5,374
Tax effect of change in pension liability	13,029	2,300
Total gains (losses) on change in pension liability	**17,476**	**– 3,074**
Accumulated other comprehensive loss at end of year	**– 172,966**	**– 94,579**

The change in the minimum pension liability covers the amounts attributable to both continued and discontinued operations. €28.457 million (prior year: €5.393 million) of the increase in minimum pension liability is attributable to continued operations.

9) Minority Interests

At December 31, 2003, minority interests consisted largely of the 27.7% (prior year: 27.7%) holding in the Menzolit Fibron Group and the 1.96% (prior year: 1.98%) stake in GEA.

10) Provisions and Accrued Liabilities

Provisions and accruals are composed as follows:

	12/31/2003 € '000	12/31/2002 € '000
Provisions for pensions and similar obligations	910,177	875,869
Provisions for taxes	47,961	52,141
Other provisions and accruals	869,470	695,105
Total	**1,827,608**	**1,623,115**

Provisions and accruals of €423.630 million are attributable to Dynamit Nobel (prior year: €393.707 million.

Provisions and accruals due after more than one year were as follows:

	12/31/2003 € '000	12/31/2002 € '000
Provisions for pensions and similar obligations	868,180	833,885
Provisions for taxes	6,003	12,201
Other provisions and accruals	158,037	140,855
Due after more than one year	**1,032,220**	**986,941**

a) Provisions for Pensions and Similar Obligations

These are broken down as follows:

	12/31/2003 € '000	12/31/2002 € '000
Pension liabilities (pension plans)	842,449	806,552
Other postretirement benefits	57,005	58,083
Other accrued pension-related obligations	10,723	11,234
	910,177	**875,869**

aa) Pension Plans

The mg Group provides pension benefits to the majority of its employees. The benefits in Germany usually consist of pension payments. Employees generally receive fixed pension amounts per year of service. The subsidiaries outside Germany operate country-specific pension plans, some of which are funded. Benefit obligations in Germany are primarily unfunded.

With the exception of GEA, the German subsidiaries' ongoing pension liabilities up to September 30, 1999 are valued using the Chemie 1996R pension fund mortality tables, while ongoing pension plans after September 30, 1999 and all benefits are valued using 1998 Heubeck tables modified for Group-specific disability probabilities (35% for women and 50% for men). The Heubeck tables are used throughout for GEA.

The changes in projected benefit obligations and plan assets and the reconciliation of the funded status for the companies reported as continued operations are as follows:

€ '000	12/31/2003 Pension Plans German	12/31/2003 Pension Plans Foreign	12/31/2002 Pension Plans German	12/31/2002 Pension Plans Foreign
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	750,408	211,307	751,679	212,647
Service cost	9,634	6,572	2,174	1,730
Interest cost	42,241	11,540	10,988	2,878
Actuarial loss (+)/gain (-)	51,721	– 1,904	– 2,583	– 1,509
Changes in scope of consolidation/ foreign exchange differences	–	– 10,104	–	– 1,158
Benefits paid	– 49,659	– 6,259	– 11,850	– 3,281
Accumulated postretirement benefit obligations at end of year	**804,345**	**211,152**	**750,408**	**211,307**
Change in plan assets				
Fair value of plan assets at beginning of year	19,124	156,333	19,246	159,239
Expected return on plan assets	714	10,257	179	2,846
Actuarial loss (-)/gain (+)	123	– 2,109	–	– 2,929
Employer contributions	941	5,621	200	1,253
Changes in scope of consolidation/ foreign exchange differences	–	– 2,729	–	– 824
Benefits paid	– 2,018	– 5,491	– 501	– 3,252
Fair value of plan assets at end of year	**18,884**	**161,882**	**19,124**	**156,333**
Reconciliation of funded status				
Funded status	785,461	49,270	731,284	54,974
Unrecognized transition obligation	– 5,441	– 1,103	– 12,696	– 1,710
Unrecognized service cost arising from retroactive plan changes	–	1,724	–	–
Unrecognized actuarial loss	– 63,095	– 31,751	– 12,693	– 36,014
Net amount recognized	**716,925**	**18,140**	**705,895**	**17,250**

Amounts recognized in the consolidated balance sheets for the pension plans of companies reported as continued operations consist of the following:

€ '000	12/31/2003 German	12/31/2003 Foreign	12/31/2002 German	12/31/2002 Foreign
Accrued pension liability (including minimum pension liability)	802,103	40,346	762,010	44,542
Prepaid expenses	–	– 1,379	–	– 1,951
Intangible assets	– 4,209	– 286	– 8,080	– 323
Accumulated other comprehensive income/loss	– 80,969	– 20,541	– 48,035	– 25,018
Net amount recognized	**716,925**	**18,140**	**705,895**	**17,250**

The net amount recognized is calculated by netting the accrued net pension liability (excluding the minimum pension liability) with the prepaid expenses.

The share of discontinued operations in the accumulated other comprehensive income/loss has been adjusted for the purposes of the above reconciliation. This amount is not reclassified like the accrued pension liability, prepaid expenses, and intangible assets in accordance with SFAS 144.

Actuarial assumptions used to determine costs and benefit obligations at NPV for the principal pension plans were as follows:

Weighted-Average Assumptions	12/31/2003 German %	12/31/2003 Foreign %	12/31/2002 German %	12/31/2002 Foreign %
Discount rate	5.5	2.5 - 6.5	6.0	2.5 - 7.5
Rate of compensation increase	3.0	2.0 - 6.5	3.0	2.5 - 5.0
Expected long-term return on plan assets	2.2 - 7.0	2.0 - 8.5	3.3 - 5.9	3.0 - 8.5

The actuarial assumptions for German pension plans were coordinated with actuarial experts Dr. Dr. Heissmann GmbH, Wiesbaden.

Components of net periodic pension cost for the plan for companies reported as continued operations were as follows:

€ '000	1/1/2003 – 12/31/2003 Pension Plans German	1/1/2003 – 12/31/2003 Pension Plans Foreign	10/1/2002 – 12/31/2002 Pension Plans German	10/1/2002 – 12/31/2002 Pension Plans Foreign
Service cost	9,634	6,572	2,174	1,730
Interest cost	42,241	11,540	10,988	2,878
Expected return on plan assets	– 714	– 10,257	– 179	– 2,846
Amortization of unrecognized transitional amount	7,255	607	1,814	119
Amortization of service cost arising from retroactive plan changes	–	– 115	–	–
Amortization of actuarial losses	1,457	3,263	90	710
Net periodic pension cost	**59,873**	**11,610**	**14,887**	**2,591**

The above tables give the fair values and the expected long-term returns on these plan assets for German pension plans. The returns are estimated based on both historical and future expected market and portfolio performance. €582,000 is expected to be allocated to German pension plan assets in 2004. The plan assets continue to be managed by benevolent funds and foundations and are mainly invested in fixed-income securities and fixed-term deposits. There are no plans at present to change this investment strategy. The accumulated benefit obligation (excluding future salary increases) for German pension plans amounted to €790.572 million in 2003 (prior year: €736.913 million). The balance sheet date used to report German pension plan assets is December 31, 2003.

ab) Defined Contribution Plans

The individual companies of the mg Group's continued operations offer various postretirement benefits in the form of defined contribution plans. The pension cost of these plans lies not with mg but with the respective pension provider. Total contributions of €12.645 million (prior year: €639,000) were paid in 2003.

ac) Other Postretirement Benefits

In addition to pensions and similar obligations, the mg Group provides certain retired employees with postretirement benefits for health insurance premiums. The following information refers to the Group's postretirement benefit plans in Germany.

	12/31/2003 € '000	12/31/2002 € '000
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	48,778	48,780
Service cost	354	82
Interest cost	2,722	713
Actuarial losses (+)/gains (–)	4,716	– 3
Benefits paid	– 3,410	– 794
Accumulated postretirement benefit obligations at end of year	**53,160**	**48,778**
Reconciliation of funded status		
Funded status	53,160	48,778
Unrecognized actuarial losses (–)/gains (+)	– 397	4,212
Net amount recognized	**52,763**	**52,990**

Actuarial assumptions used to determine costs and benefit obligations for principal additional domestic pension plans were as follows:

Weighted-Average Assumptions	**12/31/2003 %**	12/31/2002 %
Discount rate	5.5	6.0
Healthcare and life insurance inflation rate	4.0	4.0

The inflation rate for German pension plans with respect to healthcare and life insurance costs is estimated to be 4.0% for 2004. The balance sheet date used to report German pension plans is December 31, 2003.

Components of **net periodic postretirement benefit cost** for the plan are as follows:

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Service cost	354	82
Interest cost	2,722	713
Amortization of actuarial losses (+) / gains (–)	2	-7
Net periodic pension cost	**3,078**	**788**

Additional postretirement benefits are also paid by two foreign companies. Their funded status at December 31, 2003 comes to €3.710 million (prior year: €4.361 million) and the net amount recognized for additional foreign postretirement benefits totals €4.242 million (prior year: €5.093 million). The relevant cost of these benefits in 2003 amounted to €353,000 (prior year: €103,000). Actuarial assumptions used to determine costs and benefit obligations for additional foreign postretirement benefits include a discount rate of 6.25% (prior year: 7.0% and 6.75%). These assumptions also took into account projections of the rising cost of medical and dental treatment benefits. The rise in the cost of medical healthcare benefits amounts to 15.0% and 9.0% (prior year: 8.5% and 9.5%). These costs will fall by 1.0% and 0.5% per year respectively (prior year: 0.5%) up to 2013 and 2011 (prior year: 2009 and 2011). The rise in the cost of dental healthcare benefits amounts to 7.5% and 9.0% (prior year: 7.5% and 9.5%). They will fall by 0.5% per year (prior year: identical) up to 2010 and 2011. There was no change on the prior year.

The following schedule presents the effect of a one percentage point change in the inflation rate on the service cost and accumulated postretirement benefit obligations for pension plans at December 31, 2003:

	1% Increase		1% Decrease	
	German € '000	Foreign € '000	German € '000	Foreign € '000
Effect on service cost	+ 54	+ 43	– 43	– 37
Effect on accumulated postretirement benefit obligations	+ 5,724	+ 357	– 4,917	– 328

b) Provisions for Taxes

Provisions and accrued liabilities for taxes relate to current taxes and were largely established to cover foreign tax liabilities and future audits.

c) Other Provisions and Accrued Liabilities

Other provisions and accruals consist of the following:

	12/31/2003 € '000	12/31/2002 € '000
Personnel expenses	216,201	197,793
Outstanding suppliers' invoices (excl. provisions for outstanding invoices and losses on long-term contracts)	70,780	64,908
Provisions for outstanding invoices and losses on long-term contracts (incl. provisions for guarantee commitments: €31.652 million; 2001/2002: €29.361 million)	227,826	185,208
Environmental/recultivation	67,023	42,335
Other guarantee obligations	33,319	40,280
Restructuring	83,736	18,782
Sundry	170,585	145,799
Total	**869,470**	**695,105**

Provisions for personnel expenditures largely comprise bonuses, vacation net yet taken, anniversaries, part-time retirement, and excess working hours accumulated. The rise is largely due to the increasing use of preretirement part-time contracts for staff over 55 years of age, which are being used as a way of reducing the headcount.

The **environmental and recultivation provisions and accrued liabilities** primarily relate to soil decontamination, demolition of buildings, waste disposal and treatment of effluents. Provisions with a nominal value of roughly €10.500 million were discounted at a rate of 5.5%. The discounted amount comes to approximately €4.000 million. In addition to the reported liabilities of €67.023 million there is a further maximum potential liability risk of €8.050 million. This additional risk is attributable almost exclusively to Dynamit Nobel.

Provisions for guarantee commitments, including guarantee commitments included in provisions for outstanding invoices and losses on long-term contracts, were as follows:

	€ '000
Initial balance at 1/1/2003	69,641
Payments	– 26,826
Provisions for newly issued guarantees	25,962
Changes in provisions for guarantee commitments already issued in 2001/2002 (incl. adjustments due to changes in assessment)	– 756
Other changes (currency translation adjustments, scope of consolidation)	– 3,050
Final balance at 12/31/2003	**64,971**

Provisions for guarantee commitments mainly relate to to GEA and the plant engineering business. The guarantees and warranties on which they are based are usually granted, as is customary in the industry, in connection with certain performance criteria relating to plant, equipment or products (e.g. output guarantee, quality of product manufactured). Guarantee commitments generally run for between one and two years from the time when delivery of the products, plant or equipment is accepted. In addition to guarantees explicitly agreed by contract, many countries also recognize product liability arrangements, which in some cases may stipulate that the manufacturer is liable beyond the contractually agreed life of the guarantee. If the products, plant or equipment sold fail to meet the contractually agreed specifications, the mg Group will be faced with claims under its guarantee. In some cases the mg Group can demand collateral in the form of insurance premium refunds or guarantees from subcontractors.

Provisions for guarantees are set aside on the basis of empirical values from similar products or based on the evaluated overall risk of the plant or equipment in question. The percentage of sales set aside as a provision will vary depending on the type of product, plant or equipment (general provision). General provisions are recognized at the time of final acceptance by the customer of the product, plant or equipment if the contract in question is accounted for under the completed-contract method. If it is accounted for under the PoC method, provisions are set aside according to the contract's percentage of completion. If a claim is made under a guarantee and a loss is deemed likely, specific guarantee provisions are set aside to cover the anticipated cost (specific provisions).

The **restructuring provisions** largely relate to the reorganization of the remaining activities in connection with the strategic restructuring of the mg Group. For further information see Note H) 'Restructuring'. Provisions of €83.736 million have been set aside for the future cost of reorganization. Personnel-related measures will account for €67.639 million of this amount. The majority of this cost relates to continued salary payments and severance payments to employees under social plans. The exit costs of €16.097 million concern plans to divest or merge certain industrial plant engineering activities (for further information see Note 18) 'Restructuring Costs').

The changes in these restructuring provisions are summarized as follows:

	Personnel-Related Obligations € '000	Exit Costs € '000	**Total € '000**
Balance at 9/30/2002	**14,673**	**7,401**	**22,074**
Additional charges	3,388	4	3,392
Amounts utilized	5,485	591	6,076
Amounts reversed	540	68	608
Acquisitions	-	-	-
Balance at 12/31/2002	**12,036**	**6,746**	**18,782**
Additional charges	64,720	11,679	76,399
Amounts utilized	7,978	3,534	11,512
Amounts reversed	1,157	10	1,167
Acquisitions	18	1,216	1,234
Balance at 12/31/2003	**67,639**	**16,097**	**83,736**

The €1.234 million increase in restructuring provisions owing to acquisitions resulted from the acquisition of Fleissner.

The **remaining provisions** have essentially been established to cover risks arising from litigation as well as the cost of legal advice and other advisory costs of €36.763 million (prior year: €32.744 million) as well as provisions for impending losses of €21.836 million (prior year: €6.763 million).

11) Liabilities

Financial liabilities at December 31, 2003 consisted of:

	12/31/2003 € '000	12/31/2002 € '000
Bonds	300,000	298,000
thereof maturing in up to 1 year	(–)	(–)
thereof maturing in 5 years or later	(–)	(–)
Liabilities to banks	843,797	774,097
thereof maturing in up to 1 year	(200,300)	(122,987)
thereof maturing in 5 years or later	(65,546)	(52,361)
Liabilities from capital lease obligations	98,210	133,543
thereof maturing in up to 1 year	(13,937)	(19,375)
thereof maturing in 5 years or later	(45,505)	(53,277)
Promissory notes payable	2,477	2,532
thereof maturing in up to 1 year	(2,311)	(2,532)
thereof maturing in 5 years or later	(–)	(–)
Total	**1,244,484**	**1,208,172**

Of the total financial liabilities, €306.425 million (prior year: €309.601 million) relates to Dynamit Nobel. These are broken down as follows:

	12/31/2003 € '000	12/31/2002 € '000
Liabilities to banks	219,638	192,695
Liabilities from capital lease obligations	86,093	116,145
Promissory notes payable	694	761
Total	**306,425**	**309,601**

Bonds relate to a bond issued by mg technologies finance B.V., Rotterdam, and guaranteed by mg technologies ag. The interest coupon on the bond is 7.25% (prior year: 6.75%) p.a. The increase in the coupon is due to the credit rating downgrade by rating agency Moody's Investors Service in October 2003.

The interest paid on liabilities to banks mainly varied between 4% and 6% p.a.

The increase in liabilities to banks and the decrease in liabilities from capital leases essentially arise from the first-time consolidation of the four leasing companies belonging to Dynamit Nobel in accordance with FIN 46r (for further information see Note D) 'Scope of Consolidation'). As a result of this consolidation, liabilities to banks increased year on year by €42.358 million and liabilities from capital leases decreased year on year by €27.909 million.

Total financial liabilities of €43.156 million (prior year: €53.479 million) are collateralized by mortgages.

Cash and cash equivalents of €26.3 million (prior year: €114.6 million) were used to temporarily repay medium-term bank loans beyond the balance sheet date. Appropriate loans were utilized again in January 2004 and 2003.

The fair value of financial liabilities at the balance sheet date came to €1.264843 billion (prior year: €1.209707 billion).

Aggregate amounts of financial liabilities maturing during the next five years and thereafter are as follows:

Maturing up to December 31	€ '000
2004	216,548
2005	482,967
2006	387,515
2007	26,848
2008	19,555
Thereafter	111,051
Total	**1,244,484**

Other liabilities at December 31, 2003 consisted of:

	12/31/2003 € '000	12/31/2002 € '000
Trade accounts payable	789,031	731,772
thereof maturing in up to 1 year	(773,788)	(725,125)
thereof maturing in 5 years or later	(17)	(324)
Excess of advance payments received over unbilled receivables from long-term contracts	172,081	214,130
thereof maturing in up to 1 year	(172,081)	(214,130)
Advances received on orders	99,018	76,461
thereof maturing in up to 1 year	(99,018)	(76,461)
Liabilities to affiliated companies	31,033	42,172
thereof maturing in up to 1 year	(31,033)	(41,869)
thereof maturing in 5 years or later	(–)	(–)
Liabilities to associated and related companies	17,720	22,035
thereof maturing in up to 1 year	(17,270)	(20,835)
thereof maturing in 5 years or later	(–)	(–)
Sundry liabilities	285,422	223,393
thereof maturing in up to 1 year	(254,625)	(205,504)
thereof maturing in 5 years or later	(2,125)	(6,458)
thereof relating to tax	(49,699)	(43,943)
thereof relating to derivatives	(16,009)	(20,680)
thereof relating to social security	(33,448)	(31,067)
thereof relating to employees	(6,035)	(5,898)
Total	**1,394,305**	**1,309,963**

Of the other liabilities, €596.349 million (prior year: €467.525 million) relates to Dynamit Nobel.

Sundry liabilities include €21.429 million in divested liabilities of Projektgesellschaft Daimlerstrasse GmbH & Co. KG, Frankfurt am Main (for further information see Note 4) 'Receivables and Other Assets').

Liabilities to affiliated, associated and related companies include trade accounts payable of €13.202 million (prior year: €17.537 million). Trade accounts payable to third parties and to affiliated, associated and related companies totaled €802.233 million at the balance sheet date (prior year: €749.309 million).

12) Deferred Income

Deferred income consists of the following:

	12/31/2003 € '000	12/31/2002 € '000
Sale-and-leaseback arrangements	30,029	34,267
Deferred option premiums	4,143	7,692
Other deferrals	3,294	8,637
Total	**37,466**	**50,596**

Gains from sale-and-leaseback arrangements were deferred and recognized by way of a reduction of related rental expense. As of December 31, 2003, €22.721 million (prior year: €38.413 million) of deferred income is to be recognized after more than one year.

13) Commitments and Contingencies

Commitments and **contingencies** not shown on the balance sheet at December 31, 2003 were as follows:

	12/31/2003 € '000	12/31/2002 € '000
Continued operations		
Liabilities on guarantees	27,981	38,685
Liabilities on warranties	42,830	47,879
Liabilities from providing collateral for third-party liabilities	3,579	3,656
Liabilities on notes	366	200
	74,756	**90,420**
Discontinued operations		
Liabilities on guarantees	9,972	8,267
Liabilities on warranties	-	
Liabilities from providing collateral for third-party liabilities	-	-
Liabilities on notes	-	-
	9,972	**8,267**
Total	**84,728**	**98,687**

Liabilities on guarantees mainly consisted of advance payment guarantees, performance bonds, guarantees for warranty obligations and guarantees for bank loans provided on behalf of related companies. Liabilities on guarantees for continued operations largely relate to GEA, Lurgi Lentjes, and Zimmer. The liabilities on guarantees for discontinued operations all relate to solvadis.

Liabilities on warranties during the year under review related largely to divested companies. They also relate to security for pension commitments and warranties on customer contracts. There is also loan collateral for related companies.

The likely maturity of contingent liabilities arising from guarantees and warranties is up to five years. There are also contingencies with maturity periods that depend on the performance of contractually agreed obligations or the occurrence of certain events. These contingent liabilities are largely to customers, banks and employees of former subsidiaries. mg is faced with claims under its guarantees if the debtor is unable to meet its contractual obligations.

In addition to the contingent liabilities shown in the above table, there are warranty commitments of an amount customary for the industry at GEA, Lurgi, Lurgi Lentjes and Zimmer (for further information see Note 10c) 'Other Provisions and Accrued Liabilities').

Liabilities from providing collateral for third-party liabilities essentially include a realization agreement on collateralization for an industrial plant.

Other financial commitments at December 31, 2003 consist of:

	12/31/2003 € '000	12/31/2002 € '000
Continued operations		
Rental and lease agreements	647,634	617,686
thereof with affiliated companies	(186)	(–)
Orders	337,125	322,829
thereof with affiliated companies	(267)	(542)
Factoring liability	6,643	7,453
Committed but not fully utilized credit lines for third parties	1,149	5,527
	992,551	**953,495**
Discontinued operations		
Rental and lease agreements	19,103	22,029
thereof with affiliated companies	-	-
Orders	-	-
thereof with affiliated companies	-	-
Factoring liability	-	-
Committed but not fully utilized credit lines for third parties	-	-
	19,103	**22,029**
Total	**1,011,654**	**975,524**

Of the total **rental and lease agreements,** €191.689 million (prior year: €205.943 million) is attributable to Dynamit Nobel. These relate largely to real estate and equipment belonging to Dynamit Nobel Kunststoff GmbH, Weissenburg; the laboratory, technical and office buildings of CHEMETALL GMBH, Frankfurt am Main; and leases of office furniture and equipment. The leases on these premises run until the year 2019.

Other continued operations account for rental and lease commitments of €455.945 million (prior year: €411.743 million). They essentially relate to real estate used by GEA, the premises of mg vermögensverwaltungs-ag, Frankfurt am Main, and office space in New York. The leases on these premises run until no later than 2031. These commitments under rental and lease agreements are partly offset by claims arising from subletting agreements totaling €74.719 million (prior year: €67.719 million). For further information on leases please refer to Note 2) 'Leasing'.

The **order commitments** attributable to continued operations largely relate to Dynamit Nobel (€86.588 million), Lurgi (€152.042 million) and Zimmer (€44.479 million).

In some factoring agreements entered into by Dynamit Nobel, the seller of the receivables assumed a blanket liability for the receivables sold; this liability amounted to less than ten percent of total receivables sold. In cases where the countervalue of the receivables has been paid in full, the maximum liability is shown under **'factoring liability',** provided no provision has been established. There have been no significant defaults to date.

14) Litigation

During the period under review, mg technologies ag succeeded in settling its Customer Cases in the U.S. These actions by former customers of MG Refining & Marketing related to oil-futures contracts predating 1994. Defending these actions in the past incurred significant costs. The settlement reached by mg technologies ag did not adversely affect its earnings in 2003, as the Group had already made appropriate provision in its accounts.

During the period under review, the Executive Board of mg technologies ag and Dr. Otto Happel ended all past legal disputes.

In September 1998, an mg Group company won a contract from a young company to work as general contractor on the construction of industrial plant for the recycling of old carpets containing polyamide; it subcontracted a large part of the construction work to another mg Group company. Both Group companies acquired minority shareholdings in the customer at the insistence of the customer's majority shareholder and the lead bank in the banking syndicate financing the deal. The plant was delivered to the customer on September 10, 2002. Subsequently, the customer's financial position deteriorated rapidly. In February/March 2003, the shareholders and the banks financing the deal first accused the mg Group companies concerned of having failed to comply with the regulations on post-formation acquisitions stipulated in the German Joint Stock Corporation Act (AktG), as a result of which the contract to construct the plant was null and void. Precautionary attempts to remedy the possible invalidity of the contract for the construction of the plant failed because the majority shareholder and the lead bank refused to give their approval. Proceedings to declare the customer bankrupt were initiated on September 1, 2003.

The insolvency administrator is demanding that several mg Group companies repay the fee paid by the customer – amounting to €164.6 million (including sales tax) – because the mg Group companies concerned had failed to comply with the regulations on post-formation acquisitions stipulated in the German Joint Stock Corporation Act (AktG), as a result of which the contract to construct the plant was null and void. The insolvency administrator's application for legal aid was rejected by the regional court in Frankfurt am Main. Since the main creditor then evidently agreed to finance the legal action, this legal action has been filed (after the balance sheet date).

In accordance with SFAS 5, no provision has been established owing to the complex nature of the case and a number of unresolved legal issues.

In connection with the conclusion of the control and profit-transfer agreement between mg technologies ag and GEA AG, an appeal is pending regarding the appropriateness of the exchange offer made to shareholders of GEA AG.

In addition, further litigation, official investigations, legal proceedings and other claims are either pending or might be instituted or enforced in the future against companies of the mg Group as a result of their ongoing business operations; it is not always possible to predict the outcome of such proceedings with any degree of certainty.

Litigation is subject to many unknown factors, and it is not possible to predict the outcome of individual cases with any degree of certainty. mg cannot rule out the possibility that the final rulings on some of these cases may give rise to expenses that exceed the provisions and accruals set aside for such purposes; mg therefore cannot predict with any degree of accuracy either the amount or timing of such expenses.

Appropriate provision for risks arising from litigation was made in accordance with SFAS 5.

15) Derivatives and Financial Instruments

a) Use of Derivatives and Financial Instruments

In its day-to-day financial management, the mg Group uses all customary forms of investments, such as fixed-term deposits, fixed-income securities and mutual funds. The Group funds its operations, among other things, through bank loans, factoring arrangements and ABS transactions.

The mg Group uses **derivatives** to mitigate the risk of adverse movements in interest rates, share prices and other investments.

Forward exchange deals and currency options are largely used to hedge assets, liabilities and firm buy or sell commitments in foreign currency and, to a lesser degree, to hedge forecasted transactions denominated in foreign currency. Hedges are used to mitigate the risk of adverse movements in the exchange rates of certain currencies, especially the U.S. dollar and pound sterling.

Interest rate swaps and options are used to hedge the interest rate risk inherent in liabilities to banks.

Commodity derivatives are used primarily in the discontinued chemicals trading business to mitigate the risk inherent in commodities prices.

b) Fair Value of Financial Instruments

The fair value of a financial instrument is the price at which a counterparty is willing to assume the rights and/or obligations arising from this financial instrument from another counterparty. Fair values have been computed on the basis of the market information available at the balance sheet date and the valuation methods outlined below, which are based on certain assumptions. Because of the varying factors influencing them, the fair values stated here may differ from the values that can be realized in the market at the present time.

Original financial instruments

Securities: Fair value is the market price.

Cash and cash equivalents: Owing to their short maturity, the nominal values of cash and cash equivalents correspond to their fair value.

Financial liabilities: The fair value of listed debt securities is their market price. The fair value of other long-term bonds corresponds to the present value of future anticipated cash flows. The discount rate used is the current market interest rate on bonds of the same maturity. Owing to their short maturity, it is assumed that the nominal value of bonds and loans under revolving credit facilities approximates to their fair value. It is generally assumed that the nominal value of floating-rate loans corresponds to their fair value.

Receivable from direct capital lease: As the current market interest rate was used to calculate the present value of the receivable, the fair value and nominal value of the receivable are the same.

Derivatives

The fair value of **forward exchange deals** is determined using current balance sheet date reference rates that take account of forward premiums and discounts.

The fair value of **interest-rate instruments** is determined using discounted anticipated future cash flows based on the market interest rates applicable to the residual maturities of these financial instruments. Options are valued using recognized option pricing models.

The fair value of commodity derivatives is obtained by valuing all the contracts at the market terms prevailing at the valuation date, and thus corresponds to the actual value of the contract portfolio at the end of the fiscal year. The fair value of exchange-traded contracts is derived from their market price. The value of contracts not traded on an exchange is determined on the basis of market conditions.

	12/31/2003		12/31/2002	
	Nominal Value € '000	Fair Value € '000	Nominal Value € '000	Fair Value € '000
Continued operations				
Assets				
Original financial instruments				
Capital lease receivable	39,680	39,680	44,257	44,257
Securities	15,641	15,641	66,009	66,011
Cash and cash equivalents	171,952	171,952	165,291	165,291
Derivatives				
Forward exchange deals	51,181	51,181	42,657	42,657
Interest-rate instruments	24	24	116	116
Commodity derivatives	232	232	707	707
Liabilities				
Original financial instruments				
Financial liabilities	1,244,484	1,264,843	1,208,172	1,209,707
Derivatives				
Forward exchange deals	5,580	5,580	5,606	5,606
Interest-rate instruments	9,413	9,413	14,545	14,545
Commodity derivatives	1,016	1,016	529	529
Discontinued operations				
Assets				
Original financial instruments				
Securities	1,606	1,606	1,789	1,789
Cash and cash equivalents	10,654	10,654	12,305	12,305
Derivatives				
Forward exchange deals	–-	–	577	577
Interest-rate instruments	–	–	–	–
Commodity derivatives	21,914	21,914	25,322	25,322
Liabilities				
Original financial instruments				
Financial liabilities	50,578	50,578	29,653	29,653
Derivatives				
Forward exchange deals	2,968	2,968	2,427	2,427
Interest-rate instruments	–	–	–	–
Commodity derivatives	23,485	23,485	39,051	39,051

c) Nominal Values and Credit Risk

The nominal value of derivatives is obtained by multiplying their contract volumes by the agreed contract prices. Some of the individual nominal values consist of countervailing buy and sell agreements. The Group is consequently exposed to a market price risk only with respect to the substantially lower volume representing the net difference between the buy and sell volumes.

The hedged nominal values of derivatives are as follows:

	12/31/2003 € '000	12/31/2002 € '000
Continued operations		
Forward exchange deals	884,987	923,703
Interest-rate instruments	412,578	537,713
Commodity derivatives (zinc)	42,865	49,903
	1,340,430	**1,511,319**
Discontinued operations		
Forward exchange deals	117,724	181,634
Interest-rate instruments	–	
Commodity derivatives (tropical oils, rubber, latex)	294,587	323,970
	412,311	**505,604**
Total	**1,752,741**	**2,016,923**

The mg Group is exposed to credit risk, which may arise if its counterparties fail to meet their contractual obligations. The mg Group's counterparties for forward exchange deals and interest-rate instruments are all reputable banks with an investment-grade rating. The general credit risk related to forward exchange deals and interest-rate instruments is therefore not material. mg's counterparties with respect to commodity derivatives are mainly suppliers resident outside Germany. mg makes adequate provision for this credit risk by making appropriate valuation allowances on the derivatives it reports.

d) Management of Foreign-Exchange, Interest-Rate and Other Price Risks

Management of foreign-exchange risk: The international dimension of the mg Group's business gives rise to a foreign-exchange risk that impacts on its operating results and cash flows. Foreign-exchange risk exists, for example, if sales are billed in a currency other than that of their related costs. In order to mitigate the impact of currency fluctuations, foreign-exchange risk is constantly evaluated and, where necessary, hedged through the use of derivatives, especially forward exchange deals. The Group's foreign-exchange risk and its hedging are generally managed on a decentralized basis by mg's various segments, which act in accordance with mg's binding rules and procedures. Future cash flows from international projects denominated in foreign currency must be fully hedged.

Management of interest-rate risk: The mg Group monitors its interest-rate risk on an ongoing basis by following changes in its net interest positions that could adversely impact its future cash flows and implementing suitable hedging strategies. Interest-rate instruments are used only by the treasury/finance departments of mg technologies ag and the management holding companies of the various segments.

Management of price risks: Price risks arise especially in the discontinued chemicals trading business in the form of fluctuating commodity prices. Traders who agree to buy or sell commodities hedge their prices by using commodity derivatives. Commodity derivatives are used solely for hedging purposes. Derivatives contracts are governed by binding rules and procedures; compliance with these procedures is monitored by the Risk Controlling unit of the chemicals business.

e) Reporting of Derivatives and Hedge Accounting

Management of foreign-exchange risk: The hedging of foreign-exchange risks inherent in firm commitments and forecasted transactions is accounted for as a cash flow hedge. Under this scenario, the hedge-effective part of the changes in the fair value of derivatives is reported as accumulated other comprehensive income. The accumulated other comprehensive income is reclassified as income once the firm commitments or forecasted transactions have been recognized.

Hedge accounting is not generally used to hedge recognized assets and liabilities, as these constitute a natural hedge. This means that changes in the fair value of these derivatives – and those in the carrying amounts of the respective assets and liabilities – are recognized in income.

Foreign-exchange gains and losses are reported as other operating income and other operating expenses respectively.

Interest-rate instruments: Changes in the fair values of interest-rate swaps included in cash flow hedges to cover floating-rate bank loans are also reported as ‘Accumulated other comprehensive income’. Gains and losses on interest-rate instruments are reported under interest expense (net) as interest expense or interest income.

Commodity derivatives: All changes in the fair values of commodity derivatives are recognized in income.

In the following twelve months, a net gain of €11.535 million will probably be reclassified from ‘Accumulated other comprehensive income’ to the statements of income, because the cost of sales relating to underlying transactions is also likely to be recognized accordingly in income.

At December 31, 2003, interest income (net) included a net loss of €25,000 resulting from components of derivatives and financial instruments excluded from calculations of the effectiveness of such hedges.

At December 31, 2003, the mg Group held financial instruments mostly with maturities of no more than 12 months in its portfolio in order to hedge the foreign-exchange risk of forecasted transactions.

16) Other Operating Income

Other operating income consisted of the following components:

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Gain from disposal of assets	14,206	4,051
Gain from exchange rates	34,819	9,413
Income from reversal of provisions	5,964	3,948
Income from rental and lease agreements	4,744	1,264
Sundry	55,686	21,237
Total	**115,419**	**39,913**

Other operating income of €29.117 million is attributable to Dynamit Nobel (prior year: €6.546 million).

Sundry other operating income in 2003 essentially consisted of payments received for valuation allowances on receivables, various cost reimbursements and credits, and income from the sale of securities.

17) Other Operating Expenses

Other operating expenses consisted of the following components:

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Research and development costs	93,600	22,315
Loss from exchange rates	36,845	13,451
Loss from disposal of assets	19,996	1,133
Sundry	112,564	6,759
Total	**263,005**	**43,658**

Other operating expenses of €58.536 million are attributable to Dynamit Nobel (prior year: €15.966 million).

Sundry other operating expenses comprise the transfer of €27.007 million to provisions for environmental and clean-up costs, losses of €17.720 million on the disposal of the Stahlbau Plauen operations, and an expense of €10.636 million incurred by Lurgi Lentjes for services rendered to the Boiler Plant business unit. The corresponding income is included under 'Loss on discontinued operations'. Eliminating such gains and losses would distort the segment reporting.

Sundry other operating expenses also include losses on the disposal of securities and other assets.

The mg Group's **research and development** activities were as follows:

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Customer-funded (reimbursed)	111,192	32,348
Group-funded (non-reimbursed)	93,600	22,315
Total	**204,792**	**54,663**

A portion of research and development (R&D) costs are incurred for R&D that is recoverable through overhead charged to certain long-term contracts (reimbursed).

Group-funded (non-reimbursed) R&D is not directly contract-related and is immediately recognized as an expense.

The ratio of R&D expenditure to sales was 3.2% in 2003 (prior year: 3.6%).

18) Restructuring Costs

The restructuring costs relate to the measures outlined under Note H) 'Restructuring'. They are broken down by segment as follows:

	Costs			Thereof	
€ '000	Cash-Effective	Provision	Total	Exit Costs	Staff Expenses
1/1/2003 - 12/31/2003					
GEA	4,636	3,984	8,620	720	7,900
Dynamit Nobel	8,997	7,737	16,734	6,233	10,501
Lurgi	5,689	28,246	33,935	9,415	24,520
Lurgi Lentjes	124	16,225	16,349	6,128	10,221
Zimmer	–	176	176	–	176
Other	19,572	26,149	45,721	–	45,721
Total	**39,018**	**82,517**	**121,535**	**22,496**	**99,039**
10/1/2002 - 12/31/2002					
GEA	1,725	24	1,749	4	1,745
Dynamit Nobel	1,988	2,295	4,283	257	4,026
Lurgi	539	187	726	–	726
Lurgi Lentjes	20	418	438	–	438
Zimmer	–	32	32	–	32
Other	474	– 172	302	262	40
Total	**4,746**	**2,784**	**7,530**	**523**	**7,007**

The costs incurred by the change in the provision include income from the release of provisions totaling €1.167 million (prior year: €608,000) (for further information see Note 10)c) 'Other Provisions and Accrued Liabilities'. The transfers to provisions and the staff expenses include expenses of €7.285 million incurred by the conclusion of preretirement part-time contracts relating to restructuring. On the balance sheets, however, these expenses are shown under provisions for staff.

19) Financial Income

Financial income consists of the following components:

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Income under profit-and-loss transfer agreements	184	8
thereof from affiliated companies	(184)	(8)
Income from investments in associated companies	2,635	397
Miscellaneous investment income	6,753	4,082
thereof from affiliated companies	(5,358)	(3,679)
Expenses from the assumption of losses	– 300	– 245
thereof from affiliated companies	(– 300)	(– 245)
Investment income	**9,272**	**4,242**
Income from other securities and loans included in investments	205	88
Other interest and similar income	16,468	5,505
thereof from affiliated companies	(648)	(193)
Other interest and similar expenses	– 95,110	– 25,273
thereof paid to affiliated companies	(– 977)	(– 295)
Interest expense, net	**– 78,437**	**– 19,680**
Write-down of investments and long-term financial assets and marketable securities	– 19,490	– 2,375
Other financial income	**– 19,490**	**– 2,375**
Total interest expense, net, and other financial income	– 97,927	– 22,055
Total	**– 88,655**	**– 17,813**

Dynamit Nobel incurred a net loss of €24.295 million on its financial income (prior year: net income of €6.204 million).

The write-down of investments and long-term financial assets and marketable securities includes valuation allowances owing to impairments of available-for-sale securities that are not merely temporary (for further information see Note 5) 'Securities').

20) Income Taxes

Income taxes contain the following components:

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Current taxes		
German	– 1,332	– 747
Foreign	57,971	13,294
Current taxes		
German	– 108,144	42,701
Foreign	– 3,886	2,785
Total	**– 55,391**	**58,033**

Since fiscal 2001/2002, a uniform corporation tax rate of 25% and the so-called half-income system of taxation have applied to German limited companies. Under Germany's flood victims' solidarity legislation of September 19, 2002, the rate of German corporation tax for fiscal 2003 was raised on a one-off basis by 1.5 percentage points to 26.5%.

At December 31, 2002, German companies therefore calculated deferred taxes for fiscal 2003 based on the corporation tax rate of 26.5% (28% including the solidarity surcharge) applicable for this year. German companies' computation of deferred taxes was thus based on the pertinent tax rates of 26.4% and 28.0% and the relevant trade tax rates of 13.3% and 13.0% respectively. The calculation of German companies' deferred taxes was therefore based on a total rate of 39.7% and 41.0% respectively. The impact of this tax increase due to the flood victims' solidarity legislation, which was limited to one year, was not of material importance. At December 31, 2003, German companies are calculating their deferred taxes based on an overall tax rate of 39.7%.

Deferred taxes are computed using national tax rates which, according to the enacted law in the respective countries at the balance sheet date, will apply on the date on which the timing differences are likely to be eliminated or net operating loss (NOL) carryforwards are likely to be utilized.

The following breakdown of tax expense for fiscal 2003 is based on an overall tax rate of 39.7% and reconciliation to the effective tax rate of 30.6%:

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Expected income tax benefit (prior year: income tax expense)	– 71,870	10,391
Non-deductible expenses	12,068	1,365
Foreign tax rate differential (including change in valuation allowance on deferred tax assets)	– 12,910	3,350
Effect of deferred taxes from affiliated and related companies	13,087	9,128
Change in valuation allowance on deferred tax assets – Germany	12,960	45,117
Other	– 8,726	– 11,318
Actual income tax benefit (prior year: income tax expense)	**– 55,391**	**58,033**

Deferred tax assets and liabilities are recognized for all temporary differences between the amounts reported in the tax accounts and those in the U.S. GAAP financial statements included in the consolidated accounts. Deferred taxes are also recognized in relation to various consolidation measures. Furthermore, deferred tax assets are recognized for losses carried forward. If deferred tax assets are unlikely to be realized, a valuation allowance is reported. Deferred tax liabilities on retained earnings at foreign subsidiaries of mg technologies ag were not established, because the vast majority of these earnings are not intended to be distributed in the future either, but constitute a permanent investment. The calculation of the deferred taxes not reported would have involved a disproportionate amount of time and effort. The primary components of deferred tax assets and liabilities and the related valuation allowances result from adjustments in the following items:

	12/31/2003 € '000	12/31/2002 € '000
Deferred tax assets		
Net operating loss carryforwards	1,308,799	1,223,826
Intangible assets	554,986	599,171
Investments and long-term financial assets	4,810	1,475
Inventories	16,872	43,004
Pension and other postretirement benefits	94,178	86,989
Other provisions and accruals	83,225	53,024
Deferred income	14,707	16,928
Other	4,458	5,270
Total	2,082,035	2,029,687
Less valuation allowance	– 1,046,389	– 1,143,423
Total deferred tax assets	**1,035,646**	**886,264**
Deferred tax liabilities		
Intangible assets	– 66,968	– 60,750
Property, plant and equipment	– 70,285	– 58,397
Inventories	– 40,061	– 35,844
Other provisions and accruals	– 21,938	– 25,258
Liabilities	– 16,303	– 4,227
Deferred income	– 8,222	– 10,368
Other	– 5,979	– 8,644
Total deferred tax liabilities	**– 229,756**	**– 203,488**
Total deferred tax assets, net	**805,890**	**682,776**

Net deferred tax assets and liabilities are further broken down by current and non-current portions as follows:

	12/31/2003 € '000	12/31/2002 € '000
Deferred tax assets		
Current	53,897	47,929
Non-current	813,863	701,018
Total deferred tax assets, net	**867,760**	**748,947**
Deferred tax liabilities		
Current	– 34,086	– 46,291
Non-current	– 27,784	– 20,313
Total deferred tax liabilities, net	**– 61,870**	**– 66,604**
Total deferred tax assets, net	**805,890**	**682,343**

At December 31, 2003, the mg Group had corporate tax net operating loss (NOL) carryforwards of €3,175 million (prior year: €2,970 million) and German trade tax NOLs of €1,943 million (prior year: €1,411 million). The NOLs of German companies have an unlimited carryforward period. The losses of foreign companies can usually only be carried forward for a limited period. A deferred tax allowance of €1.036 billion (prior year: €1.138 billion) has been established against the total NOLs. The income taxes paid by the companies reported as discontinued operations amounted to €9.945 million in 2003 (prior year: minus €1.402 million).

21) Minority Interests

Minority interests relate mainly to GEA and to the Menzolit Fibron Group, which belongs to Dynamit Nobel.

22) Profit/Loss on discontinued operations

A breakdown of the profit/loss on discontinued operations is shown under Note G) 'Discontinued operations'.

23) Earnings per Share

Basic and diluted earnings per share are computed as follows (in thousands of euros; exceptions are indicated accordingly):

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Net loss	– 198,600	– 30,998
thereof on continued operations	– 128,073	– 33,058
thereof on discontinued operations	– 70,527	2,060
Weighted-average number of shares outstanding (in thousands)	193,778	193,333
Basic earnings per share in €		
on net loss	– 1.02	– 0.16
on continued operations	– 0.66	– 0.17
on discontinued operations	– 0.36	0.01
Net loss – diluted	– 198,600	– 30,998
thereof on continued operations – diluted	– 128,073	– 33,058
thereof on discontinued operations – diluted	– 70,527	2,060
Weighted-average number of shares outstanding (in thousands)	193,778	193,333
Shares from GEA acquisition not yet exchanged	–	–
Dilutive effect of convertible bonds and notes	–	–
Shares purchasable with proceeds of options	–	–
Adjusted weighted-average number of shares outstanding – diluted (in thousands)	193,778	193,333
Diluted earnings per share in €		
on net loss	– 1.02	– 0.16
on continued operations	– 0.66	– 0.17
on discontinued operations	– 0.36	0.01

There was no dilutive effect as a result of GEA shares not yet exchanged, the existing stock option program and employee share ownership program, or convertible participatory capital. Because mg's continued operations reported a net loss for the year, any potentially dilutive effects had an anti-dilutive effect, as in the short 2002 fiscal year. This would improve its diluted earnings per share rather than reducing them.

24) Related-Party Transactions

As in the two previous fiscal years, Allianz AG (including Dresdner Bank AG) and Dr. Otto Happel continued to hold over 10% each of the voting stock in mg technologies ag during the year under review and were therefore deemed to be principal owners as defined by SFAS 57 ('Related Party Disclosures'). In 2003, Dr. Otto Happel became mg's largest shareholder when he raised his stake from 10.02% in the prior year to 20.7%.

During the aforementioned periods, Allianz AG (including Dresdner Bank AG) performed various financial services for the mg Group at arm's-length market rates and conditions. These business relations were not of material importance for either the mg Group or the principal owners. Furthermore, the investment bank Dresdner Kleinwort Wasserstein, which belongs to Dresdner Bank AG, is involved in the disposal of Dynamit Nobel. This mandate is being performed at arm's-length market rates.

There are no business relations with the shareholder Dr. Otto Happel.

25) Subsequent Events

On January 16, 2004, chemicals trading company Safic-Alcan S.A., based in Paris, France – which belongs to solvadis ag, Frankfurt am Main – was sold to French holding company Daniel Lebard Management Development (DLMD) and Alpha-Associés, a French private equity house (for further information please refer to Note G) 'Discontinued operations').

Grasso's Koninklijke Machinefabrieken N.V., 's-Hertogenbosch, Netherlands, which belongs to GEA, acquired the Dutch Goedhart Holdings B.V. with effect from January 1, 2004. Goedhart manufactures and sells customized air coolers, heat exchanger coils, and condensers for industrial refrigeration. It employs roughly 240 people at its two sites in the Netherlands and the Czech Republic. The company generated sales of €28.6 million in 2002. The transaction still needs to be approved by the antitrust authorities.

On January 30 and February 5, 2004, mg vv ag, Frankfurt am Main, sold 51% and 17% of the shares in mg vv Projektentwicklung Daimlerstrasse GmbH & Co. KG, Frankfurt am Main, to DAL, Mainz, and INC Projektentwicklung GmbH, Fürth, respectively. mg vv's shareholding now amounts to 32%. The same shareholdings apply to Komplementär GmbH. This transaction still has to be cleared by the competent EU Commission and the German antitrust authorities (for further information see Note 4) 'Receivables and Other Assets').

In order to simply the structure of the mg Group, the Executive Board of mg technologies ag decided on February 23, 2004 to merge GEA AG with mg technologies ag with effect from January 1, 2005. In preparation for this measure, the Executive Board of GEA AG was asked to initiate the squeeze-out of GEA's external shareholders pursuant to section 327a of the German Joint Stock Corporation Act (AktG). In parallel with these measures, preparations are being made to merge the Head Office functions of mg technologies ag and GEA AG. The merged company will probably be based in Bochum.

In order to strengthen its process engineering business, GEA acquired Diessel GmbH & Co. KG, Hildesheim, Germany, and Colby Powder Systems, based in New Zealand, in March 2004. Both acquisitions still need to be cleared by the relevant antitrust authorities. Diessel GmbH & Co. KG is a leading provider of process plant for breweries, the beverage industry and for the pharmaceutical and biotech sectors. GEA will take on 177 of Diessel's employees, its fixed assets, and the majority of its order book. The company's sales target for 2004 is approximately €33 million. Colby Powder Systems designs and builds integrated powder, handling and powder-filling equipment for the milk-processing industry and the production of baby food. With 109 employees, it generates sales of roughly €22 million.

26) Segment Reporting

SFAS 131 ('Disclosures about Segments of an Enterprise and Related Information') states that segment reporting must be consistent with the company's internal organizational and reporting structures ('management approach'). mg's Executive Board is responsible for assessing the segments' performance and the related allocation of resources.

In 2003, the Executive Board of mg technologies ag decided that mg should discontinue its chemical activities and concentrate solely on engineering. It is not yet clear to what extent the disposal of the one division will impact on the internal organizational and reporting structures of the remaining one. For this reason, and because the chemical division still formed part of the Group's activities during the year under review, the format of our segment reporting remains unchanged. In order to highlight the impact of the disposal of the chemical division, however, the segment reporting distinguishes between 'continued' and 'discontinued' operations.

Continued Operations

GEA

GEA is engaged worldwide in process engineering and thermal technology. It supplies technologically sophisticated, mostly customized equipment, components, systems and process plants that improve the efficiency and environmental compatibility of production processes as well as the quality of products in many industrial sectors. GEA focuses on the food, beverage, pharmaceutical and petrochemical industries, but is also active in power plant technology, engineering, and the construction industry. It operates globally and generates over 80 percent of its business outside Germany.

Lurgi

Lurgi is a global leader in process engineering and plant engineering. The companies in this segment design and build technologically sophisticated plant for the gas, oil, pharmaceutical and chemical industries. Their particular strengths lie in their leading technology position in the fields of synthesis gas and methanol plant, in the processes they use to convert gas into petrochemical products, and in the construction of industrial plant that processes renewable resources for the production of oils, fats, starch and alcohol, principally for the production of environmentally friendly bio-fuels. In the future, this segment will concentrate on these businesses. Its refinery technology, fine chemicals, and pharmaceutical businesses are to be discontinued.

Lurgi Lentjes

This segment combines the environmental and energy activities of the Energy, Environmental Engineering and Gas Cleaning units. Lurgi Lentjes focuses on processes and technologies that facilitate the industrial use of energy forms extracted from various fuels, while at the same time keeping the air clean. Since its portfolio was optimized, it has specialized in the construction of plant that cleans waste gases and contaminated air for process industries such as the nonferrous, steel, chemical, and glass industries, and in supplying desulfurization systems for fossil-fuel power stations. The segment's denitrification and dedusting technologies for waste incineration and power plant technology are to be discontinued.

Zimmer

This segment provides process-driven plant engineering for polymers, synthetic fibers and thermoplastics, covering the entire life cycle of these products – from production and processing to the recycling stage. Zimmer specializes in the construction of plant that manufactures polyester and nylon as well as textile filaments, staple fibers, industrial yarn, and packing materials. By acquiring Fleissner towards the end of 2003, Zimmer secured its market position in staple fibers and extended its product range in the fast-growing nonwoven market. As a global market leader, the segment possesses a large number of proprietary processes and is a leader, for example, in plant engineering for PET production. Zimmer's product range also includes industrial plant that manufactures cellulosic fibers (lyocell fibers).

Dynamit Nobel

In 2003, the Executive Board took the decision to focus the company's activities on specialty mechanical engineering and plant engineering. As a result of this decision, the process of selling Dynamit Nobel was initiated. As explained under Note G) 'Discontinued operations', Dynamit Nobel still qualifies as a continued operation.

Dynamit Nobel specializes in technologically sophisticated niche markets in the fields of chemicals and materials processing and, by developing its specialist expertise, has positioned itself as a value-adding partner to its customers, most of which come from the automotive, pharmaceutical, construction, chemical and electronics industries. It therefore operates in the growing custom-synthesis market, supplying intermediates and active ingredients to the pharmaceutical and agrochemical industries. As a systems engineering partner to the automotive industry, Dynamit Nobel supplies plastics for internal and external applications, surface chemicals for corrosion protection and cutting tools made of advanced ceramics. This material is also used in medical technology, electronics, electrical engineering and high-quality sanitary appliances. Dynamit Nobel is the global market leader in lithium chemistry and in pigments for the delustering of synthetic fibers.

Other

This segment contains all the companies that do not belong to the core businesses of the other segments and are under the direct control of mg technologies ag. It contains mg technologies ag, Ruhr-Zink GmbH, MG Rohstoffhandel GmbH, and the U.S.-based companies mg technologies Inc. (formerly Metallgesellschaft Corp.) and MG North America Holdings Inc.

Discontinued operations

solvadis

solvadis – including Safic-Alcan – is a globally active chemicals trader as well as a chemicals distributor. It trades in and distributes various chemical feedstocks, chemicals, specialties and natural raw materials. solvadis is increasingly offering chemical and pharmaceutical companies customized logistics solutions for their procurement and distribution.

Other

Operations reported under 'Other' comprise the Boiler Plant business unit and the discontinued non-core operations of Dynamit Nobel and GEA.

€ million	GEA	Lurgi	Lurgi Lentjes	Zimmer	Dynamit Nobel	Other	Consoli-dated	Total	solvadis	Other	Consoli-dated	Total
	Continued operations								Discontinued operations			
1/1/2003 - 12/31/2003												
Revenues	2,697.5	588.6	349.7	219.6	2,327.0	220.8		6,403.2	1,411.9	341.8		1,753.7
Intersegment sales	4.5	3.1	11.6	3.8	1.2	49.5	– 73.7		4.1	23.6	– 27.7	
Total revenues	2,702.0	591.7	361.3	223.4	2,328.2	270.3	– 73.7	6,403.2	1,416.0	365.4	– 27.7	1,753.7
Pre-tax earnings	196.7	– 75.7	– 124.1	4.4	187.7	– 674.1	304.1	– 181.0	– 7.4	– 52.3	0.0	– 59.7
Financial income	– 0.4	11.1	– 10.3	4.5	– 24.3	– 375.7	306.4	– 88.7	– 0.7	– 0.3	– 0.6	– 1.6
thereof interest income & gains on securities	8.3	11.8	3.3	5.3	6.2	47.4	– 65.6	16.7	2.5	0.8	– 1.0	2.3
thereof interest expense	10.7	1.1	4.7	0.8	32.9	110.8	– 65.9	95.1	3.5	1.2	– 0.5	4.2
thereof equity method income/loss	1.8	0.8	0.0	0.0	0.0	0.0	0.0	2.6	0.4	0.0	0.0	0.4
Identifiable segment assets	2,830.7	718.8	428.5	369.1	2,406.8	5,010.2	– 5,530.0	6,234.1	426.0	162.2	– 122.0	466.2
Capital expenditure	47.5	1.3	1.8	0.9	195.1	12.9		259.5	9.5	4.2		13.7
Depreciation and amortization	51.6	12.8	2.3	2.3	114.8	9.9	– 0.1	193.6	6.0	5.2	0.0	11.2
Number of employees	13,820	1,266	566	719	12,304	514		29,189	792	854		1,646
10/1/2002 - 12/31/2002												
Revenues	606.7	128.6	99.1	59.0	561.1	64.3		1,518.8	423.8	90.2		514.0
Intersegment sales	0.4	0.2	5.2	0.2	0.2	13.9	– 20.1		1.8	3.4	– 5.2	
Total revenues	607.1	128.8	104.3	59.2	561.3	78.2	– 20.1	1,518.8	425.6	93.6	– 5.2	514.0
Pre-tax earnings	35.6	2.6	– 2.6	3.5	38.0	– 14.8	– 36.1	26.2	4.1	– 2.9	– 0.1	1.1
Financial income	1.1	4.0	0.4	0.5	– 6.2	16.6	– 34.2	– 17.8	0.1	– 0.5	0.1	– 0.3
thereof interest income & gains on securities	3.0	4.1	1.3	1.5	1.8	10.5	– 16.6	5.6	0.8	0.0	– 0.1	0.7
thereof interest expense	3.7	0.4	0.9	0.1	10.1	26.5	– 16.4	25.3	1.3	0.5	– 0.2	1.6
thereof equity method income/loss	0.0	0.2	0.0	0,0	0.2	0.0	0.0	0.4	0.1	0.0	0.0	0.1
Identifiable segment assets	1,919.4	687.8	353.0	298.4	2,282.7	4,670.9	– 4,069.1	6,143.1	435.7	152.0	– 30.8	556.9
Capital expenditure	16.7	0.4	0.3	0.8	40.3	3.5		62.0	2.0	1.2		3.2
Depreciation and amortization	11.8	2.3	0.4	0.5	28.1	2.8	2.1	48.0	1.5	1.3	– 0.2	2.6
Number of employees	14,096	1,429	601	359	12,555	781		29,821	835	1,156		1,991

The total amount of identifiable segment assets from both continued and discontinued operations gives rise to total reported assets of €6.700292 billion (prior year: €6.700014 billion).

Intersegment sales are based on arm's-length transfer pricing. Capital expenditures relate to cash acquisitions of intangible assets and property, plant and equipment as well as capitalized liabilities resulting from capital leases. Depreciation and amortization relate to the diminution in the value of intangible assets and property, plant and equipment.

For the sake of comparability, the effects on the statement of income of mg technologies ag resulting from the transfer of beneficial ownership of business operations in the short 2002 fiscal year have been eliminated in the U.S. GAAP financial statements of mg technologies ag.

In the past, mg's Executive Board has assumed direct responsibility for the risk management of all strategic and financial aspects of individual projects completed by Lurgi Lentjes and Zimmer. These projects incurred total expenses of €50.5 million in 2003. In order to ensure that the mg Executive Board's direct responsibility for the financial decisions and risks relating to these projects is correctly reported, this expense is shown in mg's 'Other' column rather than in the Lurgi Lentjes and Zimmer segments. Since Lurgi Lentjes and Zimmer were responsible for the technical implementation of these projects, the profits generated by the projects were shown according to the percentage-of-completion method in the respective segments until mg's Executive Board assumed responsibility for them.

A similar relationship exists between Lurgi Lentjes and the Boiler Plant business unit. In the past, Lurgi Lentjes has assumed responsibility for two contracts processed by this unit. This assumption of responsibility incurred an expense of €12.2 million for the Lurgi Lentjes segment in 2003.

As in previous years, during the period under review the Lurgi Lentjes segment contains income from a service agreement with mg capital gmbh ('Other' segment). Under this agreement, Lurgi Lentjes helps mg capital gmbh to perform its management responsibilities and administrative duties with respect to the Boiler Plant and Stahlbau Plauen business units it took over effective October 1, 2000. This restructuring of the investment portfolio aligned the legal structure with the management and reporting structures already implemented. As a result of this service agreement, €5.5 million (prior year: €1.7 million) was reimbursed to Lurgi Lentjes in 2003.

As in previous years, mg Altersversorgung GmbH has agreed to pay postretirement benefits to retirees in the Lurgi and Lurgi Lentjes segments. As a result of this agreement, mg Altersversorgung GmbH ('Other' segment) has incurred an additional expense of €2.5 million for 2003. Correspondingly, the Lurgi and Lurgi Lentjes segments contain income of €1.4 million and €1.1 million respectively as a result of this agreement. As this constitutes an intercompany transaction, the pertinent income and expenses are eliminated in the 'Consolidated' column.

The number of employees at the balance sheet date is stated on the basis of full-time equivalents, excluding trainees and directors of mg technologies ag.

For further information on the two types of business reported as 'discontinued operations', please refer to Note G) 'Discontinued operations'.

Goodwill per segment was as follows in 2003:

	Continued operations								Discontinued operations			
€ million	GEA	Lurgi	Lurgi Lentjes	Zimmer	Dynamit Nobel	Other	Consolidated	Total	solvadis	Other	Consolidated	Total
Book value at 12/31/2002	**221.1**	**9.9**	**3.6**		**341.2**	**–**	**918.7**	**1,494.5**	**55.5**	**1.4**	**11.3**	**68.2**
Allocation of consolidation to segments	853.9	–	–	51.0	13.8	–	– 918.7	–	–	11.3	– 11.3	–
Book value at 1/1/2003	**1,075.0**	**9.9**	**3.6**	**51.0**	**355.0**	**–**	–	**1,494.5**	**55.5**	**12.7**	**–**	**68.2**
Increase in goodwill	2.1	–	–	2.7	11.4	–		16.2	–	–		–
Goodwill impairment	–	–	–	–	–	–		–	–	–		–
Decrease in goodwill	– 0.4	–	–	–	–			– 0.4	–	– 11.3		– 11.3
Price differences	– 5.8	– 1.3	–	–	– 20.8	–		– 27.9	–	–		–
Book value at 12/31/2003	**1,070.9**	**8.6**	**3.6**	**53.7**	**345.6**	**–**		**1,482.4**	**55.5**	**1.4**		**56.9**

Up to December 31, 2002, the book value of goodwill shown in the 'Consolidated' column was still reported at Group level. Since January 1, 2003, this goodwill – and, similarly, hidden reserves and undisclosed charges – has been broken down into the various segments and accounted for there.

The increase of €11.4 million in goodwill in the Dynamit Nobel segment relates to the post-capitalization of assets under purchase accounting.

Sales by geographical area were as follows:

€ million	Germany	EU (excl. Germany	Rest of Europe	North America	Central/ South America	Asia, Australia, Middle East	Africa	**Total**
1/1/2003 - 12/31/2003								
Continued operations	1,732.6	1,752.1	600.4	801.6	292.3	1,081.6	142.6	6,403.2
Discontinued operations	428.6	787.9	141.5	183.1	29.1	104.6	78.9	1,753.7
Total	**2,161.2**	**2,540.0**	**741.9**	**984.7**	**321.4**	**1,186.2**	**221.5**	**8,156.9**
10/1/2002 - 12/31/2002								
Continued operations	411.0	418.1	162.5	213.5	82.1	205.3	26.3	1,518.8
Discontinued operations	105.2	228.5	52.2	69.1	4.6	23.8	30.6	514.0
Total	**516.2**	**646.6**	**214.7**	**282.6**	**86.7**	**229.1**	**56.9**	**2,032.8**

Sales are broken down by geographical area according to the domicile of the customer or the location of the services provided.

There were no relationships with individual customers that accounted for a significant share of the Group's sales.

As the internal figures reported to the Executive Board and the Supervisory Board are prepared according to U.S. GAAP, the above segment reporting corresponds to U.S. GAAP (management approach). The accounting principles applied to the segments are therefore the same as those described for the Group in the summary of significant accounting policies.

MATERIAL DIFFERENCES BETWEEN GERMAN AND U.S. ACCOUNTING PRINCIPLES

The mg Group utilizes the exempting provision of section 292a of the German Commercial Code (HGB), which states that consolidated financial statements and consolidated management reports may be prepared according to internationally recognized accounting standards.

The consolidated financial statements have been prepared in accordance with the current United States generally accepted accounting principles (U.S. GAAP). They are consistent with the 4th and 7th EU Directives based on the interpretation according to DRS No. 1 of the German Accounting Standards Committee (DRSC).

For the mg Group, the accounting policies and consolidation methods under U.S. GAAP differ from the German provisions of the HGB primarily in the following respects:

Differences in the Principles of Consolidation

Goodwill and Purchase Accounting

While the HGB states that an acquisition may be consolidated for the first time either at the time of the acquisition or at the time the subsidiary is included in the consolidated financial statements for the first time, U.S. GAAP state that the first-time consolidation must be at the time of acquisition (change of control). The adoption of FIN 46r gives rise to further differences with respect to the companies to be consolidated. In departure from the HGB, FIN 46r states the requirement – irrespective of any controlling influence – to consolidate companies for which the reporting company is deemed to be the main beneficiary by virtue of a commercial interest.

Goodwill represents the excess purchase price over the fair market value of assets acquired and liabilities assumed. U.S. GAAP state that goodwill must be capitalized and, in contrast to the HGB, may no longer be amortized over its estimated useful life. Instead, it must be tested for impairment at least once a year and, if necessary, written down. Writing off goodwill through shareholders' equity, which is an option under section 309 of the HGB, is not permitted.

If shares are issued to fund an acquisition, they must be reported at their fair value and not, as is customary under the HGB, at their nominal or par value.

If the fair market value of net assets acquired exceeds acquisition cost, the consolidation of investments in subsidiaries produces negative goodwill. Section 309 (2) of the HGB states that this difference may only be recognized in income if it reflects an expected adverse trend in future earnings or it is clear that it corresponds to a realized gain. SFAS 141 ('Business Combinations') states that the negative goodwill must be deducted from the carrying amount of certain non-current assets acquired. Under SFAS 141, any further shortfall is reported as extraordinary income or, in exceptional cases ('contingent considerations'), recognized as deferred income.

Section 307 (I) of the HGB states that minority interests must be reported as a component of shareholders' equity. Minority interests are also contained in the Group's net income or loss for the year. Under U.S. GAAP, however, minority interests are reported not under shareholders' equity, but separately between equity and debt capital. Consequently, minority interests must be recognized as a separate income or expense item before the consolidated net income or loss.

Differences in Accounting Policies and Reporting

Reinstatement of Original Values for Long-Lived Assets

If an asset has been written down due to impairment pursuant to section 253 (II) and (III) of the HGB, the requirement to reinstate its original value under section 280 (I) of the HGB states that this value may not be retained if the reasons for the write-down no longer apply at a later balance sheet date. In such cases, the asset must be written up.

Under U.S. GAAP, the carrying amount of a long-lived asset has to be tested for impairment if events or changed circumstances indicate that the asset's carrying amount may exceed its fair value. Impairment is measured by comparing the estimated future discounted pre-tax cash flows of the related asset to its carrying amount. SFAS 144 ('Accounting for the Impairment or Disposal of Long-Lived Assets') states that original values may not be reinstated even if the reasons for such a write-down no longer apply.

Leases

The accounting treatment of leases is not explicitly stated in the HGB. As a rule, we have therefore based our accounting treatment on the tax authorities' pronouncements on leases, which state that leased assets should generally be capitalized by the lessor.

U.S. GAAP contain detailed rules on the recognition of leases, especially SFAS 13 ('Accounting for Leases'). These distinguish between capital leases and operating leases, depending on who bears the main risks and derives the main opportunities arising from use of the leased assets and is therefore deemed to be the beneficial owner. With capital leases, the lessee, as beneficial owner, has to capitalize the leased assets, while the lessor has to carry them as an asset in the case of operating leases.

Valuation of Inventories

Inventories are reported at cost. Section 255 (II) of the HGB states that manufacturing costs may include not just compulsory items such as direct material and production costs and specific manufacturing costs, but also attributable manufacturing overheads and administrative costs, depreciation, and the cost of certain social benefits. By contrast, U.S. GAAP (ARB 43) state that, in addition to direct costs, production-related overheads, depreciation, and production-related administrative costs have to be recognized as part of manufacturing cost.

Long-Term Construction Contracts

Long-term construction-type contracts are those that take at least six months to complete, calculated from the date when the contract is awarded until the point at which the contract has essentially been completed.

For long-term construction contracts, the HGB and Germany's generally accepted accounting principles basically only permit profits to be realized once the entire contract has been supplied and accepted or partially billed, i.e. not until contractually agreed delivery has been largely completed and the residual risks are insignificant (completed-contract method).

U.S. GAAP (SOP 81-1 and ARB 45), however, allow profits on long-term contracts to be partially recognized prior to completion, provided a sufficiently reliable computation of the total proceeds, aggregate costs, and percentage of completion is possible. The percentage of completion is defined within the Group as the ratio of contract costs incurred at fiscal year-end to total estimated costs for the entire contract (cost-to-cost method).

Marking-to-Market

The imparity principle of the HGB states that unrealized losses have to be accounted for, but not unrealized profits. Under U.S. GAAP, however, unrealized profits are also reported, which is reflected in the following items:

Under the HGB, assets and liabilities denominated in foreign currency are valued at the lower of cost or market at the balance sheet date. Under U.S. GAAP SFAS 52 ('Foreign Currency Translation'), however, all assets and liabilities denominated in foreign currency have to be translated at their market rate at the balance sheet date, so that unrealized profits are recognized in income.

While under the HGB, securities are accounted for at the lower of cost or market at the balance sheet date, their accounting treatment under U.S. GAAP (SFAS 115 'Accounting for Certain Investments in Debt and Equity Securities') depends on their classification. Available-for-sale securities are always reported at fair value at the balance sheet date, with adjustments resulting from this mark-to-market valuation being recorded as other comprehensive income unless an impairment is not merely temporary. Trading securities, which are held solely for dealing or speculative purposes, are reported at fair value at the balance sheet date and recognized in income. Held-to-maturity securities are reported at amortized cost under U.S. GAAP.

Factoring and ABS Transactions

For accounting treatment under the German Commercial Code, statement IdW RS HFA 8 of October 1, 2002 stipulates with respect to ABS and similar transactions that assets sold are no longer to be reported on the seller's balance sheet only if beneficial ownership of these assets has passed to the buyer. The decisive criterion for determining whether beneficial ownership has passed to the buyer is whether the latter bears the credit risk attaching to the assets.

Under U.S. GAAP, however, sales of assets reduce the carrying amount of assets if the seller has relinquished control over the assets sold. Under SFAS 140 ('Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities'), this is the case if the following three conditions are met: the seller and its creditors no longer have access to the receivables (isolation); the buyer can pledge or exchange the receivables; and the seller no longer has any (effective) power of disposal over the receivables owing to a right to repurchase them.

Deferred taxes

Section 306 of the HGB states that deferred taxes must be recognized for all temporary differences between the carrying amounts in the tax accounts and those reported in the consolidated financial statements (timing concept); they are computed at the current tax rate. This recognizes timing differences between the tax accounts and the statutory financial statements (financial statements I) as well as the financial statements prepared for inclusion in the consolidated accounts (financial statements II). The effects of consolidation measures that are subsequently reversed over the course of time also have to be recognized. The HGB does not permit deferred taxes to be recognized for either quasi-permanent differences or losses carried forward.

U.S. GAAP (SFAS 109 'Accounting for Income Taxes') state that deferred taxes have to be recognized for temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the consolidated financial statements, with quasi-permanent differences being classified as temporary (temporary concept). As under the HGB, this recognizes differences between the tax accounts and financial statements I and II and the effects of consolidation measures. Unlike the HGB, it only recognizes such differences if they are temporary. Additionally, deferred taxes are recognized on net operating loss (NOL) carryforwards to the extent that their future tax benefit or utilization can be realized. Tax is computed at the rate applicable under current law to retained earnings at the balance sheet date, taking account of future known changes to the tax rate. If deferred tax assets are unlikely to be realized, a valuation allowance is reported.

Other Provisions and Accruals

In addition to the requirement to report provisions for liabilities and impending losses pursuant to section 249 (I), the HGB also states that provisions and accruals may be recognized for certain expenses that do not constitute an obligation toward a third party (expense provisions pursuant to section 249 (II) of the HGB). Provisions and accruals are calculated pursuant to section 253 (I) of the HGB in accordance with customary commercial principles and the prudence principle.

The reporting of provisions and accruals under U.S. GAAP (CON 6 'Elements of Financial Statements' and SFAS 5 'Accounting for Contingencies') is much more restrictive. Accruals and provisions may only be established if an obligation toward a third party exists, there is a likelihood of its crystallization and its amount can be reasonably estimated. Expense provisions are not permitted. When such provisions and accruals are accounted for, the most probable value is reported; if there is a range of equally probable values, the lowest one is reported.

Provisions and accruals for losses on long-term contracts have to be recognized in full under U.S. GAAP – as they do under the HGB – in the period in which such losses become apparent. Under U.S. GAAP, however, provisions are formed on the basis of total estimated residual costs, including all production-related costs in full.

Provisions for Pensions and Similar Obligations

Under both the HGB and U.S. GAAP, provisions for pension liabilities are formed on the basis of expected, discounted future payments. Under the HGB, the entry age normal method is generally applied pursuant to section 6a of the German Income Tax Act. Under U.S. GAAP, the projected unit credit method is used in accordance with SFAS 87 ('Employers' Accounting for Pensions'). This method takes account of future salary increases and inflation-related pension adjustments. Furthermore, the discount rate used is the prevailing market interest rate – generally the long-term capital market rate – rather than the 6% used under German tax law and generally applied to financial statements prepared according to the HGB.

The minimum pension liability recognized under SFAS 87 meets the provision requirements of the HGB. However, additions are not always recognized as an expense under U.S. GAAP; the full amount is accounted for by reporting an intangible asset or by offsetting it against shareholders' equity ('Other comprehensive income'). This is not permitted under the HGB.

In the case of funded plans, certain qualifying assets are deducted from the total amount of the liability or, if there is an excess of assets over the liability, capitalized. This is also not permitted under the HGB.

Reporting Requirements

The structure of the balance sheets and the statements of income meets the requirements of the 4th and 7th EU Accounting Directives, with the exception of minority interests.

In order to ensure compliance with the EU Accounting Directives, certain supplemental information was provided in the Notes, such as the Consolidated Fixed Assets Schedule, which is not required by U.S. GAAP.

ADDITIONAL INFORMATION

The following information has been added to mg's consolidated financial statements in order to exempt the company from the obligation to prepare consolidated accounts in accordance with German law:

Personnel Expenses

Personnel expenses for continued and discontinued operations are as follows:

	1/1/2003 - 12/31/2003 € '000	10/1/2002 - 12/31/2002 € '000
Continued operations		
Wages and salaries	1,387,778	337,937
Social security contributions and employee benefits	354,968	86,235
(thereof for pensions)	(71,483)	(17,478)
	1,742,746	**424,172**
Discontinued operations		
Wages and salaries	109,667	30,081
Social security contributions and employee benefits	31,179	7,839
(thereof for pensions)	(4,526)	(1,105)
	140,846	**37,920**
Total	**1,883,592**	**462,092**

Number of employees

The number of employees (excluding trainees) on the basis of full-time equivalents was as follows at December 31, 2003:

Annual Average	1/1/2003	1/1/2002
Continued operations		
Wage earners	13,889	14,661
Salaried employees	15,410	15,953
	29,299	**30,614**
Discontinued operations		
Wage earners	524	661
Salaried employees	1,295	1,402
	1,819	**2,063**
Total	**31,118**	**32,677**

Balance Sheet Date	12/31/2003	12/31/2002
Continued operations		
Wage earners	13,761	14,159
Salaried employees	15,428	15,662
	29,189	**29,821**
Discontinued operations		
Wage earners	467	617
Salaried employees	1,179	1,374
	1,646	**1,991**
Total	**30,835**	**31,812**

The total number of employees in the mg Group contains an average of 379 directors in 2003 (prior year: 396). At the balance sheet date there were 377 directors (prior year: 390).

These figures do not contain the average of 5 (prior year: 6) directors of mg technologies ag or the 4 (prior year: 6) at the balance sheet date.

Total emoluments of the active Executive Board members of mg technologies ag amounted to €5.535 million (prior year: €2.265 million) and, in addition to a fixed amount of €3.688 million (prior year: €1.092 million), contained a variable bonus of €1.847 million (prior year: €1.173 million). Former Executive Board members or their surviving dependents received €23.849 million (prior year: €1.105 million). Pension commitments to former Executive Board members or their surviving dependents totaled €47.268 million (prior year: €41.568 million). These commitments are fully provided for.

In 2003, the Executive Board subscribed for 80,000 option rights (2003/2006) of mg technologies ag. These options are subscribed for only once per calendar year. This corresponds to 80,000 shares. For further information on the terms and conditions of these options, please refer to the note 8) 'Shareholders' equity'.

§ 15 (1) of the articles of incorporation states that each member of the Supervisory Board receives a fixed, annual remuneration of €21,000, which is payable after the end of the respective fiscal year. The Chairman of the Supervisory Board receives twice this amount and his or her deputy one-and-a-half times this amount. Members who join or leave the Supervisory Board during the year are paid only pro rata temporis for the period of their membership. The emoluments of the Supervisory Board amounted to €516,000 in 2003 (2001/2002: €128.000).

No advances, loans, guarantees or warranties were granted to directors of mg technologies ag.

Exempting Provision under Section 264 (3) of the HGB

The following domestic subsidiaries, which are included in the consolidated financial statements of mg technologies ag, made use of the exempting provision under section 264 (3) of the HGB:

- Aachener Chemische Werke Gesellschaft für glastechnische Produkte und Verfahren mbH, Würselen
- Brent International GmbH, Mönchengladbach
- CeramTec AG Innovative Ceramic Engineering, Plochingen
- CHEMETALL GMBH, Frankfurt am Main
- CM Gesellschaft für Funktion-Additive mbH, Frankfurt am Main
- Dynamit Nobel GmbH Explosivstoff- u. Systemtechnik, Troisdorf
- Dynamit Nobel Kunststoff GmbH, Weißenburg
- EKOKEMI GmbH, Ibbenbüren
- Gervinusstraße Beteiligungs GmbH, Frankfurt am Main
- hebro chemie GmbH, Mönchengladbach
- Lurgi Bischoff GmbH, Essen
- Lurgi Energie und Entsorgung GmbH, Ratingen
- Lurgi Lentjes Service GmbH, Duisburg
- Lurgi Lentjes STANDARDKESSEL Aktiengesellschaft, Duisburg
- Lurgi Life Science GmbH, Chemnitz
- Lurgi Oel · Gas · Chemie GmbH, Frankfurt am Main
- mg Altersversorgung GmbH, Frankfurt am Main
- mg Bautechnik GmbH, Frankfurt am Main
- mg capital gmbh, Frankfurt am Main
- mg corporate developmemt gmbH, Frankfurt am Main
- mg financial services gmbh, Frankfurt am Main
- mg global sourcing GmbH, Frankfurt am Main
- mg IT services GmbH, Frankfurt am Main
- MIWAC Mitteldeutsche Wasserchemie GmbH, Duisburg
- Polytrade GmbH, Frankfurt am Main
- Sachtleben Chemie GmbH, Duisburg
- Siegfried Schlüßler Feuerungsbau GmbH, Bispingen
- Standardkessel Lentjes GmbH, Duisburg
- Zimmer Aktiengesellschaft, Frankfurt am Main

The companies in the GEA segment that make use of the exempting provision under section 264 (3) of the HGB are contained in the annual report of GEA AG, Bochum.

Declaration on the German Corporate Governance Code

The declarations prescribed by section 161 of the German Joint Stock Corporation Act have been submitted and made permanently available to shareholders of mg ag and its listed subsidiaries GEA Aktiengesellschaft and mg vermögensverwaltungs-ag.

Accumulated Loss

The annual financial statements of mg technologies ag report an accumulated loss of €559.362 million at December 31, 2003. There is therefore no proposal from the Executive Board and Supervisory Board for the appropriation of profit. The accumulated loss will be carried forward to the next period.

CONVERSION OF ACCOUNTING TO IFRS

EU Regulation No. 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards was adopted on July 19, 2002. This regulation states that consolidated financial statements must be prepared in accordance with International Financial Reporting Standards (IFRS) as from 2005.

The mg Group, however, has decided to adopt the recommendations of the Committee of European Securities Regulators (CESR) and will thus already publish its quarterly reports in 2005 in accordance with the IFRS. This means that the first financial statements that mg publishes in accordance with the IFRS will be its report for the first quarter (January 1 through March 31) of 2005, which will contain a balance sheet, a statement of income, a statement of cash flows, a reconciliation of shareholders' equity at the end of the comparative period, and a reconciliation of profit or loss for the comparative period.

As the first financial statements published in accordance with the IFRS will also have to state the comparative figures for the prior year, mg will have to prepare opening accounts in accordance with the IFRS at January 1, 2004. The preparation of the IFRS opening accounts will immediately follow the preparation of the year-end accounts at December 31, 2003 and should be completed by mid-April 2004.

During 2004, the mg Group will prepare its accounts in accordance with both U.S. GAAP and the IFRS. As from 2004, the mg Group's planning processes – with the exception of its outlook for the current year – will be performed exclusively in accordance with the IFRS. The outlook for 2004 will be prepared in accordance with both the IFRS and U.S. GAAP.

In preparation for the introduction of the IFRS, mg offered its employees around the world training on this issue in the summer and fall of last year.

Frankfurt am Main, March 23, 2004

The Executive Board

Udo Stark   Karlheinz Hornung   Klaus Moll   Jürg Oleas   Peter Steiner

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by mg technologies ag, Frankfurt am Main, for the business year from January 1 through December 31, 2003. The preparation and the content of the consolidated financial statements in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP) are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements is free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with U.S. GAAP.

Our audit, which also extends to the group management report prepared by the Executive Board for the business year from January 1 through December 31, 2003, has not led to any reservations. In our opinion, on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1 through December 31, 2003 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Frankfurt am Main, March 23, 2004

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Nonnenmacher	Wagenseil
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

AFFILIATED COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

No.	Company	Registered Office	Country	Share-holding (%)	Shares held through no.
1	GEA Aktiengesellschaft	Bochum	Germany	98.02	390
2	„SEMENOWSKY VAL" Immobilien-Verwaltungs-GmbH	Bochum	Germany	100.00	97
3	3180913 Canada Inc.	Montreal	Canada	50.00	11
	3180913 Canada Inc.	Montreal	Canada	25.00	9
	3180913 Canada Inc.	Montreal	Canada	25.00	14
4	Aeromatic-Fielder AG	Bubendorf	Switzerland	100.00	163
5	Agro Contractants S.A.	Avignon	France	100.00	160
6	AJ UC V GEA-Ukrayina Ltd.	Kiev	Ukraine	60.00	159
7	Avalon Engineering Ltd.	Hamilton	New Zealand	100.00	178
8	Babson Bros. Canada, Inc.	Halifax, Nova Scotia	Canada	100.00	267
9	Barr & Murphy (Canada) Ltd.	Montreal	Canada	50.00	11
	Barr & Murphy (Canada) Ltd.	Montreal	Canada	25.00	14
	Barr & Murphy (Canada) Ltd.	Montreal	Canada	25.00	3
10	Barr & Murphy Construction Inc.	Montreal	Canada	100.00	9
11	Barr & Murphy Holdings Ltd.	Maidenhead	Great Britain	100.00	15
12	Barr & Murphy Management Ltd.	Stourbridge	Great Britain	100.00	15
13	Barr & Murphy Overseas Ltd.	Stourbridge	Great Britain	100.00	15
14	Barr & Murphy Technologies Inc.	Montreal	Canada	100.00	11
15	Barr Rosin Limited	Maidenhead	Great Britain	100.00	100
16	Barr-Rosin (USA) Inc.	Chicago	USA	100.00	9
17	Barr-Rosin, Inc.	Boisbriand, Quebec	Canada	100.00	15
18	Batignolles Technologies Thermiques S.A.	Nantes	France	99.99	99
19	Bowen Engineering Inc.	Columbia	USA	100.00	164
20	Buck Systems Ltd.	Birmingham	Great Britain	100.00	92
21	Centrico Canada Inc.	Toronto	Canada	100.00	252
22	Collette N.V.	Wommelgem	Belgium	100.00	163
23	Courtoy N.V.	Halle	Belgium	100.00	22
24	DELBAG S.A.R.L.	Montry	France	99.60	158
	DELBAG S.A.R.L.	Montry	France	0.40	1
25	Dobbelenberg S.A./N.V.	Haren (Brussels)	Belgium	100.00	59
26	Dunia Ikatan Sdn. Bhd.	Petaling Jaya	Malaysia	100.00	243
7	Energiagazdalkodasi Rt	Budapest	Hungary	99.47	67
28	EXOS VENTILATION AB	Enköping	Sweden	100.00	57
29	Felsina Ltd.	Naas	Ireland	75.00	96
30	FES Systems Inc.	York - Pennsylvania	USA	100.00	105
31	FK Wärmetauscher Kemmerling GmbH	Wickede	Germany	100.00	188
32	Franz Wieland Apparatebau GmbH	Sprockhövel	Germany	100.00	184
33	Frigofrance S.A.	Les Couets/Bouguenais	France	100.00	160
34	Frigostar S.A.	Beziers	France	100.00	160
35	GEA (Philippines) Inc.	Manila	Philippines	100.00	162
36	GEA Abfülltechnik GmbH	Büchen	Germany	100.00	97
37	GEA Air Treatment Marketing Services International GmbH	Herne	Germany	100.00	158
38	GEA Aircooled Systems (Pty) Ltd.	Germiston	South Africa	100.00	67
39	GEA America Inc.	San Diego	USA	100.00	407
40	GEA Automation Ireland Ltd.	Naas	Ireland	100.00	102
41	GEA Automation Research & Development Ltd.	Naas	Ireland	100.00	102
42	GEA Buck Valve GmbH	Müllheim	Germany	100.00	170

No.	Company	Registered Office	Country	Share-holding (%)	Shares held through no.
43	GEA Climatizacion Espana s.l.	Madrid	Spain	100.00	158
44	GEA Comercio e Servicos Ltda.	Franco da Rocha	Brazil	100.00	49
45	GEA Comfortair Ltd.	Daventry	Great Britain	100.00	158
46	GEA Delbag Luftfilter GmbH	Berlin	Germany	100.00	1
47	GEA Delbag Luftfilter Vertriebsgesellschaft mbH	Herne	Germany	100.00	156
48	GEA Delbag Lufttechnik GmbH	Herne	Germany	100.00	1
49	GEA do Brasil Intercambiadores Ltda.	Franco da Rocha	Brazil	100.00	67
50	GEA Dutch Holding B.V.	's-Hertogenbosch	Netherlands	100.00	158
51	GEA Ecobraze AB	Landskrona	Sweden	100.00	97
52	GEA Ecoflex GmbH	Sarstedt	Germany	100.00	201
53	GEA Energietechnik GmbH	Bochum	Germany	100.00	85
54	GEA Energy Technology GmbH	Bochum	Germany	100.00	1
55	GEA Ergé-Spirale et Soramat S.A.	Wingles	France	99.99	99
56	GEA Exergy AB	Göteborg	Sweden	100.00	118
57	GEA EXOS Luftbehandling AB	Stockholm	Sweden	100.00	158
58	GEA GP GmbH	Bochum	Germany	100.00	97
59	GEA Happel Belgium N.V.	Haren (Brussels)	Belgien	100.00	158
60	GEA Happel GmbH & Co. KG	Gaspoltshofen	Austria	98.00	67
	GEA Happel GmbH & Co. KG	Gaspoltshofen	Austria	2.00	153
61	GEA Happel Klimatechnik GmbH	Herne	Germany	100.00	62
62	GEA Happel Klimatechnik Produktions- und Servicegesellschaft mbH	Herne	Germany	100.00	1
63	GEA Happel Nederland B.V.	Capelle an der Yssel	Netherlands	100.00	158
64	GEA Happel S.A.R.L.	Roncq	France	99.80	62
65	GEA Happel SiCo GmbH	Herne	Germany	100.00	37
66	GEA Ibérica S.A.	Igorre	Spain	100.00	67
67	GEA Industriebeteiligungen GmbH	Bochum	Germany	100.00	1
68	GEA Integrated Cooling Technologies, Inc.	Lakewood, Colorado	USA	100.00	39
69	GEA IT Services GmbH	Oelde	Germany	100.00	1
70	GEA Jet Pumps GmbH	Ettlingen	Germany	100.00	118
71	GEA Kestner SAS	Montigny le Bretonneux	France	100.00	99
72	GEA klima rashladna tehnika d.o.o.	Zagreb	Croatia	100.00	153
73	GEA Klima- und Filtertechnik Wurzen GmbH	Wurzen	Germany	100.00	1
74	GEA Klimatechnik GmbH	Gaspoltshofen	Austria	100.00	37
75	GEA Klimatechnika Kft.	Budapest	Hungary	96.67	153
	GEA Klimatechnika Kft.	Budapest	Hungary	3.33	37
76	GEA Klimateknik Aps	Copenhagen	Denmark	100.00	37
77	GEA Klimatizace spol. s r.o.	Liberec	Czech Republic	67.00	153
	GEA Klimatizace spol. s r.o.	Liberec	Czech Republic	33.00	159
78	GEA Klimatizacia s.r.o.	Bratislava	Slovakia	50.00	153
	GEA Klimatizacia s.r.o.	Bratislava	Slovakia	50.00	159
79	GEA Klimatizacijska tehnika d.o.o.	Ljubljana	Slovenia	100.00	37
80	GEA Klimatyzacja spolka z o.o.	Wroclaw	Poland	50.00	153
	GEA Klimatyzacja spolka z o.o.	Wroclaw	Poland	50.00	159
81	GEA Kühlturmbau GmbH	Bochum	Germany	100.00	53
82	GEA L-Division North America Inc.	Baltimore	USA	100.00	105
83	GEA Liquid Processing Scandinavia A/S	Skanderborg	Denmark	100.00	163
84	GEA Luftkühler GmbH	Bochum	Germany	100.00	85

No.	Company	Registered Office	Country	Share-holding (%)	Shares held through no.
85	GEA Luftkühler Holding GmbH	Bochum	Germany	90.00	128
	GEA Luftkühler Holding GmbH	Bochum	Germany	10.00	1
86	GEA Management Gesellschaft für Wärme- u. Energietechnik mbH	Bochum	Germany	100.00	85
87	GEA Maschinenkühltechnik GmbH	Herne	Germany	100.00	85
88	GEA Polska Sp. z o.o.	Swiebodzice	Poland	100.00	67
89	GEA Power Cooling Systems Inc.	San Diego, California	USA	100.00	39
90	GEA Process Engineering Australia Pty. Ltd.	Melbourne	Australia	100.00	163
91	GEA Process Engineering de México, S.A. de C.V.	Mexico City	Mexico	100.00	163
92	GEA Process Engineering Ltd.	Eastleigh Hampshire	Great Britain	100.00	100
93	GEA Process Engineering Nederland B.V.	Deventer	Netherlands	100.00	107
94	GEA Process Engineering S.A.S.	Saint-Quentin en Yvelines Ced.	France	100.00	99
95	GEA Process Equipment GmbH	Bochum	Germany	100.00	1
96	GEA Process Technologies Ireland Limited	Dublin	Ireland	100.00	102
97	GEA Process Technology GmbH	Bochum	Germany	100.00	1
98	GEA PT Canada Inc.	Saint John, New Brunswick	Canada	100.00	105
99	GEA PT France SAS	Saint-Quentin en Yvelines	France	100.00	101
100	GEA PT Holdings Ltd.	Birchwood	Great Britain	100.00	101
101	GEA PT Industriebeteiligungs GmbH	Bochum	Germany	100.00	97
102	GEA PT Ireland Ltd.	Kildare	Ireland	100.00	101
103	GEA PT Italia Holding S.p.A.	Parma	Italy	99.95	101
104	GEA PT Nederland B.V.	Apeldoorn	Netherlands	100.00	101
105	GEA PT North America, Inc.	Columbia	USA	100.00	407
106	GEA PT S.A., Argentina	Buenos Aires	Argentina	99.90	101
	GEA PT S.A., Argentina	Buenos Aires	Argentina	0.10	97
107	GEA PT Tussenholding B.V.	Gorssel	Netherlands	100.00	104
108	GEA PT Warsaw Spolka z o.o.	Warsaw	Poland	100.00	97
109	GEA Rainey Corp.	Tulsa	USA	100.00	39
110	GEA Refrigeration Ireland Limited	Dublin	Ireland	100.00	152
111	GEA Saturn GmbH	Bochum	Germany	100.00	84
112	GEA Scambiatori di Calore S.r.l.	Monvalle	Italy	100.00	67
113	GEA Schwimmbad-Komforttechnik GmbH	Herne	Germany	100.00	158
114	GEA Spiro-Gills Ltd.	Stafford	Great Britain	100.00	100
115	GEA Technology Equipment (Shanghai) Company Ltd.	Shanghai (China)	China	100.00	117
116	GEA Thermtec Schweiz AG	Bolligen	Switzerland	51.00	158
117	GEA Tuchenhagen (China) Ltd.	Hong Kong	China	100.00	199
118	GEA Wiegand GmbH	Ettlingen	Germany	100.00	97
119	Geneglace SAS	Les Couets/Bougenais	France	100.00	33
120	Grasso (Pty) Ltd.	Cape Town	South Africa	100.00	145
121	Grasso Chile B.V.	's-Hertogenbosch	Netherlands	100.00	145
122	Grasso Componenten Benelux BV	's-Hertogenbosch	Netherlands	100.00	145
123	Grasso Components Ibéria Lda.	Cascais	Portugal	99.80	145
	Grasso Components Ibéria Lda.	Cascais	Portugal	0.20	137
124	Grasso Components Srl	Castel Maggiore	Italy	99.00	145
	Grasso Components Srl	Castel Maggiore	Italy	1.00	137
125	Grasso Consultants B.V.	's-Hertogenbosch	Netherlands	100.00	145
126	Grasso Filipijnen B.V.	's-Hertogenbosch	Netherlands	100.00	145
127	Grasso Finance B.V.	's-Hertogenbosch	Netherlands	100.00	145
128	Grasso GmbH Refrigeration Technology	Berlin	Germany	100.00	1
129	Grasso Holding Ltd.	London	Great Britain	100.00	145

No.	Company	Registered Office	Country	Share-holding (%)	Shares held through no.
130	Grasso Holdings Australia Pty. Ltd.	Thomastown, Victoria	Australia	100.00	145
131	Grasso International (Thailand) Co. Ltd.	Bangkok	Thailand	48.80	145
	Grasso International (Thailand) Co. Ltd.	Bangkok	Thailand	0.10	147
	Grasso International (Thailand) Co. Ltd.	Bangkok	Thailand	0.10	137
132	Grasso International B.V.	's-Hertogenbosch	Netherlands	100.00	145
133	Grasso International GmbH	Berlin	Germany	99.00	128
134	Grasso KAB (Thailand) Co., Ltd.	Bangkok	Thailand	51.00	131
	Grasso KAB (Thailand) Co., Ltd.	Bangkok	Thailand	49.00	145
135	Grasso Kältemaschinenbau Halle GmbH	Döllnitz	Germany	100.00	1
136	Grasso Nordic A/S	Kolding	Denmark	100.00	145
137	Grasso Products B.V.	's-Hertogenbosch	Netherlands	100.00	145
138	Grasso Products Ltd.	London	Great Britain	100.00	129
139	Grasso Refrigeration B.V.	's-Hertogenbosch	Netherlands	100.00	145
140	Grasso Refrigeration O.o.o.	Moscow	Russian Federation	100.00	132
141	Grasso s.r.l.	Cluj	Rumänien	100.00	132
142	Grasso Spolka z o.o.	Gdynia	Poland	100.00	145
143	Grasso UAB	Vilnius	Litauen	100.00	145
144	Grasso-KAB Australia (Pty) Ltd.	Thomastown, Victoria	Australia	100.00	130
145	Grasso's Koninklijke Machinefabrieken N.V.	's-Hertogenbosch	Netherlands	100.00	50
146	Grenco (South Africa) (Pty) Ltd.	Kapstadt	South Africa	100.00	145
147	Grenco B.V.	's-Hertogenbosch	Netherlands	100.00	145
148	Grenco Ibérica S.A.	Vigo	Spain	100.00	145
149	Grenco Property (Pty) Ltd.	Kapstadt	South Africa	51.00	146
150	Grenco Property Durban (Pty) Ltd.	Kapstadt	South Africa	50.50	146
151	Grenco Refrigeration B.V.	's-Hertogenbosch	Netherlands	100.00	145
152	Grenco Refrigeration Ltd.	London	Great Britain	100.00	129
153	Happel GmbH	Gaspoltshofen	Austria	100.00	1
154	Hovex B.V. Engineering	Veendam	Netherlands	100.00	107
155	Industrie Technofrigo dell'Orto S.p.A.	Castel Maggiore (Bo)	Italy	100.00	145
156	KÜBA Kältetechnik GmbH	Baierbrunn	Germany	90.00	128
	KÜBA Kältetechnik GmbH	Baierbrunn	Germany	10.00	1
157	LKH Lüftung-, Klima-, Heizung-Service GmbH	Willich	Germany	100.00	1
158	LuK Industriebeteiligungen GmbH	Herne	Germany	100.00	1
159	LVZ, a.s.	Liberec	Czech Republic	89.94	1
160	Matal S.A.	Les Sorinières	France	100.00	145
161	Morris & Young Ltd.	London	Great Britain	100.00	129
162	Niro (S.E.A.) Pte. Ltd.	Singapore	Singapore	100.00	163
163	Niro A/S	Soeborg	Denmark	100.00	101
164	Niro Atomizer Acquisition, Inc.	Columbia	USA	100.00	171
165	Niro Atomizer Canada Ltd.	Montreal	Canada	100.00	171
166	Niro Bola A/S	Soeborg	Denmark	100.00	163
167	Niro España S.A.	Barcelona	Spain	100.00	235
168	NIRO Financial, Inc.	Columbia	USA	100.00	171
169	Niro Finland Oy	Vantaa	Finnland	100.00	163
170	Niro GmbH	Müllheim	Germany	100.00	97
171	Niro Inc.	Columbia	USA	100.00	105
172	Niro Indústria e Comércio Ltda.	Sao Paolo	Brasilia	100.00	174
173	Niro Industries B.V.	Amsterdam	Netherlands	100.00	163
174	Niro Instalacoes Industrias Ltda.	Sao Paulo	Brasilia	100.00	163

No.	Company	Registered Office	Country	Share-holding (%)	Shares held through no.
175	Niro Italy S.p.A.	Parma	Italy	100.00	163
176	Niro Japan Co. Ltd.	Tokyo	Japan	100.00	163
177	Niro Limited	Abingdon Oxfordshire	Great Britain	100.00	100
178	Niro NZ Limited	Auckland	New Zealand	100.00	163
179	Niro Process Technology B.V.	's-Hertogenbosch	Netherlands	100.00	107
180	Niro Soavi S.p.A.	Parma	Italy	100.00	103
181	Niro Sterner Inc.	Columbia	USA	100.00	171
182	P.T. Grasso Indonesia	Djakarta	Indonesia	99.00	145
	P.T. Grasso Indonesia	Djakarta	Indonesia	1.00	132
183	P.T. Separindo Permai	Djakarta	Indonesia	100.00	220
184	Paul Pollrich GmbH	Mönchengladbach	Germany	100.00	1
185	Polacel B.V.	Doetinchem	Netherlands	100.00	67
186	Process Control Panels Ltd.	Birmingham	Great Britain	100.00	212
187	PT Westfalia Indonesia	Djakarta	Indonesia	100.00	220
188	Renzmann & Grünewald GmbH	Monzingen	Germany	100.00	85
189	Revalco B.V.	's-Hertogenbosch	Netherlands	100.00	145
190	RO-KA Industri A/S	Rodding	Denmark	100.00	215
191	Rosin Americas Ltd.	Montreal	Canada	65.00	15
	Rosin Americas Ltd.	Montreal	Canada	35.00	100
192	Scami Tuchenhagen S.A.	Saint-Quentin en Yvelines	France	100.00	99
193	Shanghai Grasso Refrigeration Equipment Co. Ltd.	Shanghai	China	51.00	145
194	Tri Tech Refrigeration Pty. Ltd.	Thomastown, Victoria	Australia	100.00	130
195	Tuchenhagen (Philippines) Inc.	Manila	Philippines	100.00	196
196	Tuchenhagen (S.E.A.) Pte. Ltd.	Singapore	Singapore	100.00	199
197	Tuchenhagen (Thailand) Co. Ltd.	Bangkok	Thailand	100.00	196
198	Tuchenhagen Belgium S.A./N.V.	Schoten	Belgium	100.00	199
199	Tuchenhagen Brewery Systems GmbH	Büchen	Germany	100.00	97
200	Tuchenhagen Canada Inc.	Mississauga, Ontario	Canada	100.00	82
201	Tuchenhagen Dairy Systems GmbH	Sarstedt	Germany	100.00	97
202	Tuchenhagen de Mexico S.A. de C.V.	Mexico	Mexico	100.00	82
203	Tuchenhagen do Brasil LTDA.	Campinas	Brazil	100.00	199
204	Tuchenhagen GmbH	Büchen	Germany	100.00	97
205	Tuchenhagen Italia S.r.l.	Parma	Italy	100.00	199
206	Tuchenhagen Japan Ltd.	Osaka	Japan	86.96	199
207	Tuchenhagen Moscow OOO	Moscow	Russian Federation	100.00	201
208	Tuchenhagen North America LLC	Baltimore	USA	100.00	82
209	Tuchenhagen S.A.	Buenos Aires	Argentina	100.00	213
210	Tuchenhagen S.A. (Pty) Ltd.	Midrand	South Africa	100.00	199
211	Tuchenhagen Systems Engineering, LLC	Columbia	USA	100.00	82
212	Tuchenhagen UK Ltd.	Birchwood,Warrington,Chesire	Great Britain	100.00	100
213	Tuchenhagen, S.A.	Alcobendas (Madrid)	Spain	100.00	235
214	UAB GEA Klimatechnik	Vilnius	Lithuania	100.00	37
215	Westfalia Japy	St. Apollinaire	France	100.00	254
216	Westfalia Landtechnik Acier SAS	Château-Thierry	France	100.00	215
217	Westfalia Prominox SAS	Nevers	France	100.00	215
218	Westfalia Separator (Philippines), Inc.	Manila	Philippines	100.00	220
219	Westfalia Separator (S.A.) (Pty) Ltd.	Johannesburg	South Africa	100.00	224
220	Westfalia Separator (S.E.A.) Pte. Ltd.	Singapore	Singapore	100.00	224

No.	Company	Registered Office	Country	Share-holding (%)	Shares held through no.
221	Westfalia Separator (Thailand) Ltd.	Bangkok	Thailand	100.00	220
222	Westfalia Separator A/S	Skanderborg	Denmark	100.00	163
223	Westfalia Separator ACE GmbH	Ennigerloh	Germany	100.00	224
224	Westfalia Separator AG	Oelde	Germany	99.36	85
	Westfalia Separator AG	Oelde	Germany	0.64	1
225	Westfalia Separator Andalucia, Sociedad Limitada	Ubeda	Spain	100.00	235
226	Westfalia Separator AS	Oslo	Norway	100.00	224
227	Westfalia Separator Australia Pty. Ltd.	Thomastown, Victoria	Australia	100.00	224
228	Westfalia Separator Austria GmbH	Vienna	Austria	100.00	257
229	Westfalia Separator Belgium N.V./S.A.	Schoten	Belgium	100.00	224
230	Westfalia Separator Deutschland GmbH	Oelde	Germany	100.00	224
231	Westfalia Separator do Brasil Ltda.	Campinas	Brazil	99.99	235
	Westfalia Separator do Brasil Ltda.	Campinas	Brazil	0.01	245
232	Westfalia Separator EHF	Reykjavik	Iceland	100.00	226
233	Westfalia Separator Engineering GmbH	Oelde	Germany	100.00	224
234	Westfalia Separator Food Tec GmbH	Oelde	Germany	100.00	224
235	Westfalia Separator Ibérica S.A.	Granollers	Spain	100.00	224
236	Westfalia Separator Inc.	Northvale, New Jersey	USA	100.00	252
237	Westfalia Separator Industrie SAS	Château-Thierry	France	99.98	99
	Westfalia Separator Industrie SAS	Château-Thierry	France	0.02	224
238	Westfalia Separator Industry GmbH	Oelde	Germany	100.00	224
239	Westfalia Separator Ireland Ltd.	Ballincollig Cork	Ireland	100.00	102
240	Westfalia Separator Italiana S.r.l.	Parma	Italy	100.00	224
241	Westfalia Separator K.K.	Minato-ku,Tokyo	Japan	100.00	224
242	Westfalia Separator Ltd.	Milton Keynes	Great Britain	100.00	100
243	Westfalia Separator Malaysia SDN. BHD.	Petaling Jaya	Malaysia	100.00	220
244	Westfalia Separator Mexicana S.A. de C.V.	Cuernavaca,Morelos	Mexico	100.00	224
245	Westfalia Separator Mineraloil Systems GmbH	Oelde	Germany	100.00	224
246	Westfalia Separator Mineraloil Systems SAS	Château-Thierry	France	99.99	99
	Westfalia Separator Mineraloil Systems SAS	Château-Thierry	France	0.01	245
247	Westfalia Separator Nederland B.V.	Cuijk	Netherlands	100.00	107
248	Westfalia Separator Nederland Service B.V.	Cuijk	Netherlands	100.00	247
249	Westfalia Separator NZ Limited	Penrose-Auckland	New Zealand	100.00	224
250	Westfalia Separator Sweden A/B	Göteborg	Sweden	100.00	226
251	Westfalia Separator Umwelttechnik GmbH	Oelde	Germany	100.00	224
252	Westfalia Separator, Inc.	Northvale, New Jersey	USA	100.00	105
253	Westfalia Surge AG	Ittigen	Switzerland	100.00	261
254	Westfalia Surge SAS	Château-Thierry Cedex	France	100.00	99
255	WestfaliaSurge Argentina SRL	Buenos Aires	Argentina	99.90	261
256	WestfaliaSurge Australia Pty. Ltd.	Tullamarine, Victoria	Australia	100.00	261
257	WestfaliaSurge Austria GmbH	Eugendorf	Austria	100.00	261
258	WestfaliaSurge Canada Company	Mississauga, Ontario	Canada	100.00	267
259	WestfaliaSurge Deutschland GmbH	Oelde	Germany	100.00	261
260	WestfaliaSurge do Brasil Ltda.	Jaguariúna	Brazil	91.70	261
	WestfaliaSurge do Brasil Ltda.	Jaguariúna	Brazil	8.30	215
261	WestfaliaSurge GmbH	Oelde	Germany	94.50	85
	WestfaliaSurge GmbH	Oelde	Germany	5.50	224
262	WestfaliaSurge Ibérica S.L.	Granollers	Spain	100.00	235

No.	Company	Registered Office	Country	Share-holding (%)	Shares held through no.
263	WestfaliaSurge Mexicana S.A. de C.V.	Cuernavaca	Mexico	100.00	224
264	WestfaliaSurge Polska Sp. z o.o.	Bydgoszcz	Poland	100.00	261
265	WestfaliaSurge UK Ltd.	Milton Keynes	Great Britain	100.00	242
266	Westfalia-Surge West, Inc.	Fresno, California	USA	100.00	267
267	WestfaliaSurge, Inc.	Naperville	USA	100.00	252
	Lurgi				
268	Lurgi Aktiengesellschaft	Frankfurt am Main	Germany	100.00	390
269	Lucon (Australia) Pty. Ltd.	Melbourne	Australia	100.00	278
270	Lurgi Caribbean Limited	Port of Spain	Trinidad,Tobago	100.00	277
271	Lurgi Chile Limitada	Santiago de Chile	Chile	95.00	277
	Lurgi Chile Limitada	Santiago de Chile	Chile	5.00	547
272	Lurgi Dry Coal Pty. Ltd.	South Melbourne Victoria	Australia	51.00	268
	Lurgi Dry Coal Pty. Ltd.	South Melbourne Victoria	Australia	49.00	278
273	Lurgi Española S.A.	Madrid	Spain	100.00	268
274	Lurgi Holdings, Inc.	Wilmington	USA	100.00	407
275	Lurgi India Company Ltd.	New Delhi	India	99.70	268
276	Lurgi Life Science GmbH	Chemnitz	Germany	100.00	268
277	Lurgi Oel·Gas·Chemie GmbH	Frankfurt am Main	Germany	100.00	268
278	Lurgi Pacific Pty. Ltd.	Melbourne	Australia	100.00	268
279	Lurgi Polska S.A.	Krakau	Poland	97.03	277
280	Lurgi PSI, Inc.	Memphis	USA	100.00	274
281	Lurgi South Africa (Pty) Ltd.	Bedfordview	South Africa	100.00	268
282	Lurgi TPS AG	Bubendorf	Switzerland	100.00	276
	Lurgi Lentjes				
283	Lurgi Lentjes Aktiengesellschaft	Düsseldorf	Germany	100.00	390
284	Lentjes Shared Services GmbH	Düsseldorf	Germany	100.00	283
285	LURGI (UK) Ltd.	Woking	Great Britain	100.00	283
286	Lurgi Bischoff GmbH	Essen	Germany	100.00	283
287	Lurgi Energie und Entsorgung GmbH	Düsseldorf	Germany	100.00	283
288	Lurgi Lentjes Bischoff Ltd.	Cambridge	Canada	100.00	287
289	Lurgi Lentjes North America, Inc.	Columbia	USA	100.00	407
290	Lurgi Nederland B.V.	Utrecht	Netherlands	100.00	283
291	Lurgi Praha s.r.o.	Prague	Czech Republic	99.89	287
	Lurgi Praha s.r.o.	Prague	Czech Republic	0.11	283
292	Lurgi S.A.	Saint-Cloud	France	99.96	283
293	Lurgi S.p.A.	Milan	Italy	100.00	283
294	Skandinavisk Miljo Service A/S	Albertslund	Denmark	100.00	287
	Zimmer				
295	Zimmer Aktiengesellschaft	Frankfurt am Main	Germany	100.00	390
296	Lurgi Austria GmbH	Wien	Austria	100.00	295
297	Lurgi Zürich AG	Zürich	Switzerland	100.00	295
298	Polytrade GmbH	Frankfurt am Main	Germany	100.00	295
299	Shanghai Zimmer International Trading Co. Ltd.	Shanghai	China	100.00	295
300	Zimmer Betriebs-GmbH (zukünftig firmierend unter: Fleissner GmbH)	Frankfurt am Main	Germany	100.00	295

No.	Company	Registered Office	Country	Share-holding (%)	Shares held through no.
	mg chemical group				
	Dynamit Nobel				
301	Dynamit Nobel AG	Troisdorf	Germany	100.00	390
302	Aachener Chemische Werke Gesellschaft für glastechnische Produkte und Verfahren mbH	Würselen	Germany	100.00	323
303	AM Craig Limited	Bletchley, Milton Keynes	Great Britain	100.00	330
304	Brent International B.V.	Bletchley, Milton Keynes	Great Britain	100.00	303
305	Brent International GmbH	Mönchengladbach	Germany	100.00	323
306	CeramTec AG Innovative Ceramic Engineering	Plochingen	Germany	51.00	343
	CeramTec AG Innovative Ceramic Engineering	Plochingen	Germany	26.60	390
	CeramTec AG Innovative Ceramic Engineering	Plochingen	Germany	22.40	301
307	CeramTec Czech Republik spol s.r.o.	Sumperk	Czech Republic	100.00	306
308	CeramTec Innovative Ceramic Engineering (M) Sdn.	Seremban	Malaysia	100.00	306
309	CeramTec Italia S.r.l.	Caravaggio	Italy	100.00	306
310	CeramTec North America Innovative Ceramic Engineering Corp.	Laurens	USA	100.00	407
311	CeramTec UK Ltd.	Colyton	Great Britain	100.00	306
312	Cerasiv GmbH Innovatives Keramik-Engineering	Plochingen	Germany	100.00	306
313	CETEMA B.V.	Oss	Netherlands	100.00	323
314	CHEMETALL (PROPRIETARY) LIMITED	Boksburg East	South Africa	100.00	313
315	Chemetall Asia Pte Ltd	Singapore	Singapore	100.00	323
316	Chemetall Chemical Products Inc.	Berkeley Heights	USA	100.00	317
317	Chemetall Corporation	Berkeley Heights	USA	100.00	407
318	Chemetall Danmark A/S	Herlev	Denmark	100.00	333
319	Chemetall do Brasil Ltda.	Sao Paulo	Brazil	100.00	323
320	Chemetall Finland Oy	Helsinki	Finland	100.00	333
321	Chemetall Foote Corp.	Delaware	USA	100.00	317
322	CHEMETALL Ges.m.b.H.	Wien	Austria	100.00	338
323	CHEMETALL GMBH	Frankfurt am Main	Germany	51.00	343
	CHEMETALL GMBH	Frankfurt am Main	Germany	49.00	301
324	Chemetall Hispania S.A.	Barcelona	Spain	100.00	323
325	CHEMETALL HONG KONG LIMITED	Hong Kong	China	100.00	315
326	CHEMETALL ITALIA s.r.l.	Guissano-Birone	Italy	100.00	331
327	Chemetall Mexicana, S.A. de C.V.	Mexico-City	Mexico	99.99	366
328	Chemetall N.V.	Kontich	Belgium	58.88	313
	Chemetall N.V.	Kontich	Belgium	41.12	332
329	Chemetall Philippines Co. Ltd., Inc.	Manila	Philippines	100.00	315
330	CHEMETALL PLC	Bletchley, Milton Keynes	Great Britain	100.00	323
331	CHEMETALL s.r.l.	Giussano-Birone	Italy	100.00	323
332	CHEMETALL SA	Clichy	France	99.98	323
333	Chemetall Skandinavien Ytteknik AB	Balsta	Sweden	100.00	323
334	CHEMETALL SPECIALITES CHIMIQUES SAS	Clichy	France	100.00	332
335	CHEMETALL SPECIALITY CHEMICALS LIMITED	Bletchley, Milton Keynes	Great Britain	100.00	323
336	CHEMETALL TAIWAN CO., LTD.	Taipei Hsien	Taiwan	100.00	323
337	CHEMETALL TRAITEMENT DE SURFACE SAS	Clichy	France	100.00	332
338	CM Gesellschaft für Funktion-Additive mbH	Frankfurt am Main	Germany	100.00	323
339	CM Services B.V.	Oss	Netherlands	100.00	328
340	DNVJ Vermögensverwaltung GmbH	Troisdorf	Germany	99.95	301

No.	Company	Registered Office	Country	Share-holding (%)	Shares held through no.
341	Dynamit Nobel AIS GmbH Automotive Ignition Systems	Fürth	Germany	100.00	346
342	Dynamit Nobel Argentina S.A.	Buenos Aires	Argentina	100.00	347
343	Dynamit Nobel Beteiligungen GmbH	Troisdorf	Germany	100.00	301
344	Dynamit Nobel Chimie Specialisee Pharmaceutique SAS	Chasse-sur-Rhône	France	100.00	346
345	Dynamit Nobel France S.A.S.	Hambach	France	100.00	349
346	Dynamit Nobel GmbH Explosivstoff- u. Systemtechnik	Troisdorf	Germany	100.00	301
347	Dynamit Nobel Ibérica S.A.	Sant Andreu de la Barca	Spain	100.00	349
348	Dynamit Nobel ICAS Beteiligungen GmbH	Weißenburg	Germany	100.00	349
349	Dynamit Nobel Kunststoff GmbH	Weißenburg	Germany	100.00	301
350	EKOKEMI GmbH	Ibbenbüren	Germany	95.64	364
	EKOKEMI GmbH	Ibbenbüren	Germany	4.36	368
351	Finorga S.A.	Chasse-sur-Rhône	France	100.00	344
352	Foote Chile Holding Company	Delaware	USA	100.00	321
353	Foote Minera e Inversiones Limitada	Santiago de Chile	Chile	50.00	352
	Foote Minera e Inversiones Limitada	Santiago de Chile	Chile	50.00	321
354	hebro chemie GmbH	Mönchengladbach	Germany	100.00	305
355	Menzolit Ltd.	Eastwood	Great Britain	100.00	361
356	Menzolit S.A.	Vineuil	France	99.98	361
357	Menzolit S.r.l.	Milan	Italy	99.00	361
	Menzolit S.r.l.	Milan	Italy	1.00	349
358	Menzolit Vitroplast S.l.	Granollers	Spain	100.00	361
359	Menzolit-Fibron A.S.	Dolayoba, Pendik-Istanbul	Turkey	99.98	361
360	Menzolit-Fibron Automotive s.r.o.	Trnava	Slovakia	100.00	361
361	Menzolit-Fibron GmbH	Bretten	Germany	72.30	349
362	Menzolit-Fibron Immobilien s.r.o.	Trnava	Slovakia	100.00	361
363	Menzolit-Fibron s.r.o.	Trnava	Slovakia	100.00	361
364	MIWAC Mitteldeutsche Wasserchemie GmbH	Duisburg	Germany	100.00	368
365	Oakite Canada Limited	Bramalea	Canada	100.00	366
366	Oakite Products, Inc.	Berkeley Heights	USA	100.00	317
367	Rohner AG	Pratteln	Switzerland	100.00	346
368	Sachtleben Chemie GmbH	Duisburg	Germany	51.00	343
	Sachtleben Chemie GmbH	Duisburg	Germany	49.00	301
369	Sociedad Chilena de Litio Ltda.	Santiago de Chile	Chile	55.00	321
	Sociedad Chilena de Litio Ltda.	Santiago de Chile	Chile	45.00	353
	solvadis				
370	solvadis ag	Frankfurt am Main	Germany	100.00	390
371	Alcan Far East (Private) Ltd.	Singapore	Singapore	80.00	381
	Alcan Far East (Private) Ltd.	Singapore	Singapore	20.00	378
372	Alcan Rubber & Chemical Inc.	New York	USA	100.00	381
373	Clément-RPC S.A.	Montereau-Fault Yonne	France	100.00	385
374	mgts UK Holding	London	Great Britain	100.00	370
375	SAFIC ALCAN GmbH	Bingen	Germany	100.00	381
376	Safic Alcan Italia S.p.A. (S.A.I.)	Milan	Italy	99.90	381
377	Safic Alcan Malaysia Sdn. Bhd.	Kuala Lumpur	Malaysia	100.00	381
378	SAFIC ALCAN UK Ltd.	London	Great Britain	100.00	381
379	Safic-Alcan España S.A.	Barcelona	Spain	100.00	381
380	Safic-Alcan Portugal Sociedade de Representações Lda.	Perafita (Matosinhos)	Portugal	94.00	381

No.	Company	Registered Office	Country	Share-holding (%)	Shares held through no.
	Safic-Alcan Portugal Sociedade de Representações Lda.	Perafita (Matosinhos)	Portugal	6.00	379
381	SAFIC-ALCAN S.A.S.	Paris (Puteaux Cedex)	France	100.00	370
382	Sochibo S.A.	Le Plessis Robinson Cedex	France	100.00	381
383	solvadis chemag ag	Frankfurt am Main	Germany	100.00	370
384	solvadis cpc gmbh	Krefeld	Germany	100.00	383
385	solvadis france S.A.	Saint Jacques de la Lande	France	100.00	383
386	solvadis ibérica S.A.	Barcelona	Spain	95.00	383
387	solvadis nederland b.v.	Wormerveer	Netherlands	100.00	383
388	solvadis norge AS	Tananger	Norway	100.00	387
389	solvadis polymere gmbh	Solingen	Germany	100.00	383
	Other				
390	mg technologies ag	Frankfurt am Main	Germany		
391	Brückenbau Plauen GmbH	Plauen	Germany	100.00	417
392	Claus Queck GmbH	Düren	Germany	100.00	417
393	Baumgarte Boiler Systems & Services GmbH	Bielefeld	Germany	100.00	397
394	Frankfurter Assekuranz-Kontor GmbH	Frankfurt am Main	Germany	100.00	390
395	Gervinusstraße Beteiligungs GmbH	Frankfurt am Main	Germany	100.00	390
396	Lurgi Lentjes Service GmbH	Duisburg	Germany	100.00	397
397	Lurgi Lentjes STANDARDKESSEL Aktiengesellschaft	Duisburg	Germany	100.00	402
398	Merton Wohnprojekt GmbH	Frankfurt am Main	Germany	50.00	411
399	Metallgesellschaft Canada Ltd.	Toronto/Ontario	Canada	100.00	407
400	mg Altersversorgung GmbH	Frankfurt am Main	Germany	100.00	390
401	MG Bautechnik GmbH	Frankfurt am Main	Germany	100.00	402
402	mg capital gmbh	Frankfurt am Main	Germany	100.00	390
403	mg corporate development gmbh	Frankfurt am Main	Germany	100.00	395
404	mg financial services gmbh	Frankfurt am Main	Germany	100.00	395
405	mg global sourcing GmbH	Frankfurt am Main	Germany	100.00	402
406	mg IT services gmbh	Frankfurt am Main	Germany	100.00	402
407	MG North America Holdings Inc.	Delaware	USA	100.00	390
408	MG Rohstoffhandel GmbH	Frankfurt am Main	Germany	100.00	415
409	mg technologies finance B.V.	Barendrecht	Netherlands	100.00	390
410	MG Technologies Inc.	Delaware	USA	100.00	407
411	mg vermögensverwaltungs-ag	Frankfurt am Main	Germany	99.40	390
412	mg vv Asset Development GmbH	Frankfurt am Main	Germany	100.00	411
413	mgvv Projektentwicklung Daimlerstrasse GmbH & Co. KG	Frankfurt am Main	Germany	100.00	411
414	mgvv Projektgesellschaft Bottrop mbH	Frankfurt am Main	Germany	100.00	411
415	Ruhr-Zink GmbH	Datteln	Germany	85.00	390
416	Siegfried Schlüßler Feuerungsbau GmbH	Bispingen	Germany	74.00	396
417	Stahlbau Plauen GmbH	Plauen	Germany	100.00	402
418	Standard Fasel-Lentjes B.V.	Utrecht	Netherlands	100.00	50
419	Standardkessel Lentjes GmbH	Duisburg	Germany	100.00	397

COMPANIES VALUED AT EQUITY

No.	Company	Registered Office	Country	Share-holding (%)	Shares held through no.
	mg engineering				
	GEA				
420	ACO Engineering A/S	Kolding	Denmark	100.00	421
421	ACO Service A/S	Odense	Denmark	40.00	163
422	Agropur Carpur S.A. de C.V.	Veracruz	Mexico	14.05	91
423	Agropur Lacpur, S.A. de C.V.	Veracruz	Mexico	25.17	91
424	Alunan Sukma Sdn. Bhd.	Petaling Jaya	Malaysia	100.00	243
425	Animal Health Supplies Inc.	Jacksonville, Florida	USA	100.00	267
426	Courtoy Press Service, LLC	New Brunswick, NJ	USA	30.00	171
427	Dairy Technology Services Pty Limited	Tatura, Victoria	Australia	100.00	256
428	Dan Kaffe (Malaysia) Sdn. Bhd.	Kuala Lumpur	Malaysia	37.68	173
429	IMAI S.A.	Buenos Aires	Argentina	20.00	106
430	L&T-Niro Limited	Bombay	India	50.00	163
431	Les Produits Agro B Inc.	Mercier	Canada	100.00	267
432	Liofil s.r.l.	Ribera	Italy	21.00	163
433	Matma S.a.r.l.	Château-Thierry	France	100.00	254
434	Moscow Coffee House Ltd.	Moscow	Russian Federation	29.00	163
435	OOO WestfaliaSurge	Moscow	Russian Federation	100.00	261
436	Orion-Babson Co., Ltd.	Nagano	Japan	49.00	267
437	Westfalia Robo Techno K.K.	Sumida-ku,Tokyo	Japan	96.20	261
438	Westfalia Surge Belgium N.V.-S.A.	Aarschot	Belgium	100.00	261
439	Westfalia Surge la Laguna, S.A. de C.V.	Torreon	Mexico	99.00	263
440	Westfalia Surge Nederland B.V.	Lelystad	Netherlands	100.00	261
	Lurgi				
441	Adkins Energie LLC	Lena	USA	7.54	280
	Zimmer/Lurgi Lentjes				
442	Polyamid 2000 Handels- und Produktionsgesellschaft Premnitz AG i.I.	Premnitz	Germany	34.93	295
	Polyamid 2000 Handels- und Produktionsgesellschaft Premnitz AG i.I.	Premnitz	Germany	14.97	287
	mg chemical group				
	Dynamit Nobel				
443	ChemStore GmbH	Langelsheim	Germany	50.00	323
444	Guangzhou Huali Sachtleben Chemicals Company Ltd.	Guangzhou	China	40.00	368
	solvadis				
445	CHEMSPEC	Uniontown, Ohio	USA	24.87	381
446	Marine Cargo Chartering S.A.	Noisy-Le-Roi	France	34.00	381
447	MG NE-Produkthandel GmbH	Eschborn	Germany	50.00	370
448	Nordica Elastomer AB	Kungsbacka	Sweden	50.00	381
449	solvadis austria ges.m.b.h.	Wien	Austria	100.00	383
450	solvadis chemag inc.	Houston, Texas	USA	100.00	383
451	solvadis polska Sp. z o.o.	Wroclaw	Poland	99.99	383
	solvadis polska Sp. z o.o.	Wroclaw	Poland	0.01	370

DIRECTORSHIPS

DIRECTORSHIPS HELD BY MEMBERS OF THE EXECUTIVE BOARD

Udo G. Stark, Munich,
(since June 4, 2003)
Chairman of the Executive Board of mg technologies ag

- Balfour Beatty plc, London, U.K.
  Non-Executive Director
  (until June 10, 2003)
- Balfour Beatty Rail GmbH, Munich
  Chairman of the Supervisory Board
  (until June 30, 2003)
- Bilfinger Berger AG, Mannheim
  Member of the Supervisory Board
  (since May 28, 2003)
- Dynamit Nobel AG, Troisdorf
  Member of the Supervisory Board
  (since July 1, 2003)
  Chairman of the Supervisory Board
  (since July 24, 2003)
- GEA AG, Bochum
  Member of the Supervisory Board
  (since July 9, 2003)
  Chairman of the Supervisory Board
  (since November 4, 2003)
- Lurgi AG, Frankfurt am Main
  Member of the Supervisory Board
  (since October 14, 2003)
- Lurgi Lentjes AG, Düsseldorf
  Member of the Supervisory Board
  (since November 13, 2003)
- Messer Griesheim GmbH, Frankfurt am Main
  Member of the Supervisory Board
- Zimmer AG, Frankfurt am Main
  Member of the Supervisory Board
  (since November 20, 2003)

Dr. Karl Josef Neukirchen, Bad Homburg v.d.H.,
(until May 30, 2003)
Chairman of the Executive Board of mg technologies ag

- Allianz Versicherungs AG, Munich
  Member of the Supervisory Board
- Dynamit Nobel AG, Troisdorf
  Chairman of the Supervisory Board*
- GEA AG, Bochum
  Chairman of the Supervisory Board*
- Sixt AG, Pullach
  Chairman of the Supervisory Board
- Sixt Leasing KGaA, Pullach
  Chairman of the Supervisory Board
- Vossloh AG, Werdohl
  Chairman of the Supervisory Board

Karlheinz Hornung, Bad Homburg v.d.H.,
(until March 31, 2004)
Member of the Executive Board

- Dynamit Nobel AG, Troisdorf
  Member of the Supervisory Board*
- GEA AG, Bochum
  Member of the Supervisory Board*
- Lurgi AG, Frankfurt am Main
  Member of the Supervisory Board*
- Lurgi Lentjes AG, Düsseldorf
  Member of the Supervisory Board*
- mg venture capital ag, Frankfurt am Main
  Chairman of the Supervisory Board*
- mg vermögensverwaltungs-ag,
  Frankfurt am Main
  Member of the Supervisory Board*
- solvadis ag, Frankfurt am Main
  Member of the Supervisory Board*

Dr. Fritz Lehnen, Franfurt am Main,
(until October 2, 2003)
Member of the Executive Board

- DBG Fonds III GmbH
  Member of the Supervisory Board
  (since March 27, 2003)
- Deutsche Beteiligungs AG, Frankfurt
  Member of the Supervisory Board
  (since March 27, 2003)
- Dynamit Nobel AG, Troisdorf
  Member of the Supervisory Board*
- GEA AG, Bochum
  Member of the Supervisory Board*,
  Chairman of the Supervisory Board
  (since July 15, 2003)*
- Lurgi AG, Frankfurt am Main
  Chairman of the Supervisory Board*
- Lurgi Lentjes AG, Düsseldorf
  Member of the Supervisory Board*,
  Chairman of the Supervisory Board
  (until March 20, 2003)*
- Polyamid 2000 AG
  Member of the Supervisory Board
  (since February 18, 2003)*
- Vaillant GmbH, Remscheid
  Member of the Supervisory Board
  (since May 10, 2003)
- Zimmer AG, Frankfurt am Main
  Chairman of the Supervisory Board*

* Resigned this post when he retired from the Executive Board of mg technologies ag

Dr. Rolf G. Niemann, Bad Homburg v.d.H.,
(until August 15, 2003)
Member of the Executive Board

- Dynamit Nobel AG, Troisdorf
  Member of the Supervisory Board*
- Frankfurter Assekuranz-Kontor GmbH,
  Frankfurt am Main
  Member of the Supervisory Board
  (since February 18, 2003)*
- GEA AG, Bochum
  Member of the Supervisory Board*
- Lurgi AG, Frankfurt am Main
  Member of the Supervisory Board*
- Lurgi Lentjes AG, Düsseldorf
  Member of the Supervisory Board*
- mg venture capital ag, Frankfurt am Main
  Member of the Supervisory Board*
- mg vermögensverwaltungs-ag,
  Frankfurt am Main
  Member of the Supervisory Board*
- Rheinzink Holding GmbH, Datteln
  Member of the Supervisory Board*

Jürg Oleas, Hausen near Brugg (Switzerland)
Member of the Executive Board
Chairman of the Executive Board of Dynamit Nobel AG
(since January 1, 2003)

- Chemetall GmbH, Frankfurt am Main
  Chairman of the Supervisory Board
- Dynamit Nobel GmbH Explosivstoff- und
  Systemtechnik
  Chairman of the Supervisory Board
- GEA AG, Bochum
  Member of the Supervisory Board
- Lurgi AG, Frankfurt am Main
  Member of the Supervisory Board
- solvadis ag, Frankfurt am Main
  Chairman of the Supervisory Board
- Zimmer AG, Frankfurt am Main
  Member of the Supervisory Board
- Safic-Alcan S.A., Paris, France
  Member of the Supervisory Board

Klaus K. Moll, Ludwigshafen,
(since December 1, 2003)
Member of the Executive Board

- Dynamit Nobel AG, Troisdorf
  Member of the Supervisory Board
- GEA AG, Bochum
  Member of the Supervisory Board
- Otto Junker GmbH, Simmerath
  Chairman of the Supervisory Board
- Lurgi AG, Frankfurt am Main
  Member of the Supervisory Board,
  Chairman of the Supervisory Board
  (since December 10, 2003)
- Lurgi Lentjes AG, Düsseldorf
  Member of the Supervisory Board,
  Chairman of the Supervisory Board
  (since December 18, 2003)
- Zimmer AG, Frankfurt am Main
  Member of the Supervisory Board,
  Chairman of the Supervisory Board
  (since March 1, 2004)

Peter Steiner, Wiesbaden,
(since March 1, 2004)
Member of the Executive Board

* Resigned this post when he retired from the Executive Board of mg technologies ag

DIRECTORSHIPS HELD BY MEMBERS OF THE SUPERVISORY BOARD

Dr. Jürgen Heraeus, Maintal,
(since June 3, 2003), Chairman of the Supervisory Board
Chairman of the Supervisory Board of Heraeus Holding GmbH

a) Buderus AG, Wetzlar
Member of the Supervisory Board
(until July 8, 2003)

EPCOS AG, Munich
Member of the Supervisory Board

Heidelberger Druckmaschinen AG, Heidelberg
Member of the Supervisory Board

Heraeus Holding GmbH, Hanau
Chairman of the Supervisory Board

Heraeus Tenevo AG, Hanau
Chairman of the Supervisory Board
(until August 1, 2003)

IKB Deutsche Industriebank AG, Düsseldorf
Member of the Supervisory Board

Messer Griesheim GmbH, Frankfurt am Main
Chairman of the Supervisory Board

b) Argor-Heraeus S.A., Mendrisio, Switzerland
Chairman of the Board of Directors

Helmut Werner (†), Stuttgart,
(until June 3, 2003)
Chairman of the Supervisory Board
Graduate of business economics

a) BASF AG, Ludwigshafen
Member of the Supervisory Board

Ernst & Young Deutsche Allgemeine Treuhand AG WPGes., Stuttgart
Deputy Chairman of the Supervisory Board

Gerling-Konzern Versicherungs-Beteiligungs AG, Cologne
Member of the Supervisory Board

b) Aktiebolaget SKF, Gothenburg, Sweden
Member of the Supervisory Board

Alcatel, Paris, France
Member of the Supervisory Board
(until April 17, 2003)

Penske Corporation, U.S.A.
Board of Directors

Reinhold Siegers*, Mönchengladbach
Deputy Chairman of the Supervisory board
Chairman of the Group Works Council of mg technologies ag

a) Lurgi Lentjes AG, Düsseldorf
Member of the Supervisory Board

Gerhard Adams*, Runkel,
(since June 2, 2003)
Member of the Works Council of Chemetall GmbH

Khaled Al-Sabah, London,
(until July 20, 2003)
Government of Kuwait, Kuwait Investment Office

Dieter Ammer, Bremen,
(since June 3, 2003)
Chairman of the Management Board of Tchibo Holding AG

a) Beiersdorf AG, Hamburg
Deputy Chairman of the Supervisory Board
(since September 23, 2003)

BWB Holding AG, Bremen
Member of the Supervisory Board
(until July 1, 2003)

Conergy AG, Hamburg
Chairman of the Supervisory Board

Interbrew Deutschland Holding GmbH, Bremen
Chairman of the Supervisory Board

Tchibo GmbH, Hamburg
Chairman of the Supervisory Board

b) Die Sparkasse in Bremen
Wirtschaftlicher Verein, Bremen
Deputy Chairman of the Board of Directors

Ahmad M.A. Bastaki, Safat, Kuwait,
(since September 2, 2003)
Director, Kuwait Investment Authority

b) Banco Arabe Espanol (Aresbank), Madrid
Member of the Board of Directors

Dr. Karl-Hermann Baumann, Munich,
(until June 3, 2003)
Chairman of the Supervisory Board of Siemens AG

a) Deutsche Bank AG, Frankfurt am Main
Member of the Supervisory Board

E.ON AG, Düsseldorf
Member of the Supervisory Board

Linde AG, Wiesbaden
Member of the Supervisory Board

Schering AG, Berlin
Member of the Supervisory Board

Siemens AG, Munich
Chairman of the Supervisory Board

ThyssenKrupp AG, Düsseldorf
Member of the Supervisory Board

Wilhelm von Finck AG, Grasbrunn
Member of the Supervisory Board

* Employee representatives
a Membership of statutory German supervisory boards
b Membership of comparable German and foreign supervisory bodies of business enterprises

Dr. Diethart Breipohl, Icking,
(until June 3, 2003)
Former Member of the Management Board of Allianz AG

a) Allianz AG, Munich
Member of the Supervisory Board

Beiersdorf AG, Hamburg
Member of the Supervisory Board

Continental AG, Hanover
Member of the Supervisory Board

Karstadt Quelle AG, Essen
Member of the Supervisory Board

KM Europa Metal AG, Osnabrück
Member of the Supervisory Board,
Chairman since January 28, 2003

b) Assurances Générales de France (AGF), Paris, France
Conseil d'Administration

Banco Popular Espanol, Madrid, Spain
Consejo de Administracion

Banco Portugues de Investimento SA, Oporto, Portugal
Board of Directors

Crédit Lyonnais, Paris, France
Conseil d' Administration

EULER & Hermes, Paris, France
Conseil d' Administration

Gerd Delaveaux*, Bochum
Chairman of the Works Council of GEA Happel Klimatechnik GmbH

Dr. Manfred Döss*, Hofheim
Head of the Legal Department of mg technologies ag

Rolf Erler*, Düsseldorf
Regional Head of IG Bergbau, Chemie, Energie, Bonn

a) Dynamit Nobel AG, Troisdorf
Member of the Supervisory Board

Prof. Dr. Dr. h.c. Joachim Funk, Düsseldorf,
(until June 3, 2003)
Former Chairman of the Supervisory Board of Mannesmann AG

a) ERGO Versicherungsgruppe AG, Düsseldorf
Member of the Supervisory Board

b) WISTA-Management GmbH, Berlin
Chairman of the Supervisory Board

Rainer Gröbel*, Sulzbach/Ts.
Departmental Head, National Executive of IG Metall

a) Schunk GmbH, Heuchelheim
Deputy Chairman of the Supervisory Board

Dr. Otto Happel, Lucerne,
(since June 3, 2003)
Entrepreneur

a) Commerzbank AG, Frankfurt am Main
Member of the Supervisory Board

Dr. Gerhard Jooss, Essen,
(since June 3, 2003)
Former Member of the Executive Board of ThyssenKrupp AG

a) Allgemeine Kreditversicherung Coface AG, Mainz
Member of the Supervisory Board

Allgemeine Kredit Coface Holding AG, Mainz
Member of the Supervisory Board
(since October 28, 2003)

ERGO Versicherungsgruppe AG, Düsseldorf
Member of the Supervisory Board

FAG Kugelfischer Georg Schäfer AG, Schweinfurt
Member of the Supervisory Board Board
(until October 31, 2003)

Viktoria Lebensversicherung AG, Düsseldorf
Member of the Supervisory Board

Viktoria Versicherung AG, Düsseldorf
Member of the Supervisory Board

Westfalenbank AG, Bochum
Deputy Chairman of the Supervisory Board

b) Giddings & Lewis, LLC, Fonds du Lac, Wisconsin, U.S.A.
Board of Directors

West LB International S.A., Luxembourg
Board of Directors

Prof. Dr. med. Dr. h.c. Rolf Krebs, Mainz,
(since June 3, 2003)
Former Spokesman for the Management of Boehringer Ingelheim GmbH

a) Epigenomics AG, Berlin
Chairman of the Supervisory Board

Ganymed AG, Mainz
Member of the Supervisory Board
(since October 10, 2003)

Vita 34 AG, Leipzig
Member of the Supervisory Board
(since November 1, 2003)

Dr. Jürgen Krumnow, Königstein/Ts.
Member of the Advisory Board of Deutsche Bank AG

a) Lenze AG, Aerzen
Deputy Chairman of the Supervisory Board

Phoenix AG, Hamburg
Chairman of the Supervisory Board
(until June 4, 2003)

TUI AG, Hanover
Member of the Supervisory Board

Vivascience AG, Hanover
Deputy Chairman of the Supervisory Board

b) Peek & Cloppenburg KG, Düsseldorf
Member of the Advisory Council

* Employee representatives
a Membership of statutory German supervisory boards
b Membership of comparable German and foreign supervisory bodies of business enterprises

Rolf Kümmel*, Kelkheim
Chairman of the Works Council of Chemetall GmbH

a) Chemetall GmbH, Frankfurt am Main
Member of the Supervisory Board

Dr. Dietmar Kuhnt, Essen
Former Chairman of the Executive Board of RWE AG

a) Allianz Versicherungs AG, Munich
Member of the Supervisory Board

Dresdner Bank AG, Frankfurt am Main
Member of the Supervisory Board

Hapag-Lloyd AG, Hamburg
Member of the Supervisory Board

Heidelberger Druckmaschinen AG, Heidelberg
Chairman of the Supervisory Board
(until September 12, 2003)

HOCHTIEF AG, Essen
Chairman of the Supervisory Board

RWE AG, Essen
Member of the Supervisory Board
(since May 15, 2003)

RWE Plus AG, Essen
Chairman of the Supervisory Board
(until March 5, 2003)

RWE Power AG, Essen
Chairman of the Supervisory Board
(until February 21, 2003)

TUI AG, Hanover
Member of the Supervisory Board

b) Innogy Holdings plc, Swindon, U.K.
Chairman of the Board (until February 18, 2003)

Thames Water plc, London, U.K.
Chairman of the Board (until February 18, 2003)

Heinz-Joachim Miller*, Freigericht,
(until May 31, 2003)
Employee of Lurgi AG

Justus Mische, Kelkheim,
(until June 3, 2003)
Graduate of business economics

a) ALTANA AG, Bad Homburg v.d.H.
Chairman of the Supervisory Board

B. Braun Melsungen AG, Melsungen
Chairman of the Supervisory Board

Hoechst AG, Frankfurt am Main
Chairman of the Supervisory Board

Dieter Rehbein*, Duisburg
Chairman of the Works Council of Sachtleben Chemie GmbH

a) Dynamit Nobel AG, Troisdorf
Member of the Supervisory Board

Dr. Andreas Rittstieg, Hamburg,
(since February 10, 2004)
Attorney

a) TOMORROW FOCUS AG, Munich
Deputy Chairman of the Supervisory Board

KERAMAG Keramische Werke Aktiengesellschaft,
Ratingen
Member of the Supervisory Board

Michael Vassiliadis*, Hemmingen
Secretary of the National Executive of IG Bergbau,
Chemie, Energie

a) Henkel KGaA, Düsseldorf
Member of the Supervisory Board

K + S AG, Kassel
Member of the Supervisory Board
(since March 28, 2003)

K + S Kali GmbH, Kassel
Member of the Supervisory Board
(since March 28, 2003)

Preussag Energie GmbH, Hanover
Member of the Supervisory Board
(until June 9, 2003)

Bernhard Walter, Bad Homburg v.d.H.
Former Spokesman of the Board of Managing Directors of
Dresdner Bank AG

a) BilfingerBerger AG, Mannheim
Member of the Supervisory Board

DaimlerChrysler AG, Stuttgart
Member of the Supervisory Board

Deutsche Telekom AG, Bonn
Member of the Supervisory Board

Henkel KGaA, Düsseldorf
Member of the Supervisory Board

Staatliche Porzellan-Manufaktur Meissen
GmbH, Meissen
Member of the Supervisory Board

ThyssenKrupp AG, Düsseldorf
Member of the Supervisory Board

Wintershall AG, Kassel
Deputy Chairman of the Supervisory Board

b) KG Allgemeine Leasing GmbH & Co., Grünwald
Chairman of the Board of Directors

Joint Stock Company 'Sikirsko-Uralskaya
Neftegazohimicheskaya' (AK 'Sibur')
Member of the Board of Directors
(until March 31, 2003)

* Employee representatives
a Membership of statutory German supervisory boards
b Membership of comparable German and foreign supervisory bodies of business enterprises

Wolfgang Wick*, Bottrop
Chairman of the Group Works Council of
Dynamit Nobel AG

a) Dynamit Nobel AG, Troisdorf
Member of the Supervisory Board

Dr. Eberhard Zinn (†), Munich,
(until December 31, 2003)
Chairman of the Supervisory Board of
Hauck & Aufhäuser Privatbankiers KGaA

a) AKA Ausfuhrkreditgesellschaft mbH,
Frankfurt am Main
Member of the Supervisory Board

DaimlerChrysler Aerospace AG, Munich
Member of the Supervisory Board

DaimlerChrysler Luft- und Raumfahrt Holding AG,
Munich
Member of the Supervisory Board

EADS Deutschland GmbH, Ottobrunn
Member of the Supervisory Board
(until May 6, 2003)

Hauck & Aufhäuser Privatbankiers KGaA,
Frankfurt am Main
Chairman of the Supervisory Board

b) CDX IXIS S.A., Paris, France
Member of the Supervisory Board
(until June 30, 2003)

debis Airfinance B.V., Amsterdam, Netherlands
Deputy Chairman of the Supervisory Board
(until June 4, 2003)

Ferring Holding S.A., Lausanne, Switzerland
Member of the Supervisory Board

Südtiroler Sparkasse AG, Bolzano, Italy
Member of the Board of Directors

Committees of the Supervisory Board of mg technologies ag (until June 3, 2003)

Committee pursuant to section 27 (3) of the German Codetermination Act (Mediation Committee)

Helmut Werner (†), Chairman
Reinhold Siegers*
Bernhard Walter
Wolfgang Wick*

Audit Committee

Helmut Werner (†), Chairman
Dr. Jürgen Krumnow
Reinhold Siegers*
Michael Vassiliadis*
Bernhard Walter
Wolfgang Wick*

Committees of the Supervisory Board of mg technologies ag (since the end of the Annual Shareholders' Meeting on June 3, 2003)

Committee pursuant to section 27 (3) of the German Codetermination Act (Mediation Committee)

Dr. Jürgen Heraeus, Chairman
Dr. Otto Happel
Reinhold Siegers*
Wolfgang Wick*

Chairman's Committee

Dr. Jürgen Heraeus, Chairman
Dieter Ammer
Dr. Otto Happel
Reinhold Siegers*
Michael Vassiliadis*
Wolfgang Wick*

Audit Committee

Dr. Gerhard Jooss, Chairman
Rainer Gröbel*
Dr. Jürgen Heraeus
Dieter Rehbein*

* Employee representatives
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b Membership of comparable German and foreign supervisory bodies of business enterprises

LIST OF ABBREVIATIONS FOR THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ABS	Asset-backed securities
AktG	German Joint Stock Corporation Act
APB	Accounting Principles Board Opinion
ARB	Accounting Research Bulletin
CON	FASB Statements of Financial Accounting Concepts
DRSC	German Accounting Standards Committee
DVFA/SG	German Association of Financial Analysts and Investment Consultants/ Schmalenbach Society
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBT	Earnings before taxes
EITF	Emerging Issues Task Force
EPS	Earnings Per Share
ESOP	Employee share ownership program
EStG	German Income Tax Act
€ million	Millions of euros
€ ’000	Thousands of euros
FASB	Financial Accounting Standards Board
FIN	FASB Interpretation
HGB	German Commercial Code
IFRS	International Financial Reporting Standards
i.I.	In insolvency
KonTraG	German Control and Transparency of Companies Act
P+L	Profit and loss account
PoC	Percentage of Completion
r	revised
SBU	Strategic business unit
SFAS	Statement of Financial Accounting Standards
SFY	Short fiscal year
SOP	Statement of Position
U.S.$	U.S. dollar
U.S. GAAP	United States generally accepted accounting principles

INDEX FOR THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL CALENDAR

May 12, 2004	**Interim Report for the period to March 31, 2004**
August 11, 2004	**Interim Report for the period to June 30, 2004**
August 23, 2004	**Annual Shareholders' Meeting for fiscal 2003**
November 9, 2004	**Interim Report for the period to September 30, 2004**

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Key Figures for the mg Group

RESULTS OF OPERATIONS	1998/1999 € million	1999/2000 € million	2000/2001 € million	2001/2002 € million	SFY 2002 € million	**2003 € million**
Sales	7,456	8,797	8,818	8,585.8	2,032.8	6,403.2
thereof outside Germany	4,680	6,077	6,419	6,322.2	1,516.6	4,670.6
thereof in Germany	2,776	2,720	2,399	2,263.6	516.2	1,732.6
EBITDA	515	708	702	633.9	98.5	110.4
EBIT	254	388	388	396.6	47.9	– 102.6
Earnings before income taxes and minority interests	189	279	294	320.3	27.3	– 181.0
% of sales (ROS)	2.5	3.2	3.3	3.7	1.3	– 2.8
Post-tax profit/loss on discontinued operations (before minority interests)	–	–	–	–	–	– 69.6
Net loss/income	126	192	132	189.6	–31.0	– 198.6
NET ASSETS						
Fixed assets	3,083	3,336	3,281	3,263.3	3,244.8	3,091.0
Non-fixed assets	3,043	2,910	2,707	2,649.0	2,652.1	2,711.8
thereof cash and cash equivalents at Dec. 31 and Sep. 30[1]	483	457	317	265.7	243.5	184.1
thereof assets from discontinued operations	–	–	–	–	–	466.2
Other assets (prepaid expenses + deferred taxes)	1,082	1,129	922	838.8	803.1	897.5
Total assets at Dec. 31 and Sep. 30.	7,208	7,375	6,910	6,751.1	6,700.0	6,700.3
Consolidated shareholders' equity at Dec. 31 and Sep. 30	1,114	1,899	1,929	2,036.8	1,991.2	1,663.8
% of total assets	15.5	25.8	28	30.2	29.7	24.8
Minority interests	373	64	55	42.4	42.6	41.1
Provisions and accrued liabilities	2,161	2,086	1,967	1,851.7	1,781.8	1,827.6
Bonds	258	404	301	298.0	298.0	300.0
Liabilities to banks	921	876	716	683.6	800.5	843.8
Liabilities from discontinued operations	–	–	–	–	–	429.7
Net position[2]	– 988	– 823	– 700	– 715.9	– 855.0	– 959.7
Gearing in %[3]	88.7	43.3	36.3	35.1	42.9	57.7
FINANCIAL POSITION						
Net cash provided by (used for) operating activities	357	207	390	205.9	– 65.1	136.8
Free cash flow[4]	– 948	289	207	18.3	– 124.8	– 36.9
Investment (at balance sheet date)[5]	4,812	4,818	4,376	4,381.4	4,428.9	4,532.6
Capital expenditure incl. capital leases	685	416	416	304.0	66.7	292.8
thereof on property, plant and equipment and intangible assets	225	275	293	268.3	65.2	259.5
Depreciation and amortization of fixed assets	261	320	314	237.4	50.7	213.0
EMPLOYEES[6]						
Employees at Dec. 31 and Sep. 30	40,164	37,369	34,360	32,015	31,812	29,189
thereof in Germany	23,569	20,906	18,355	16,623	16,606	15,360
thereof outside Germany	16,595	16,463	16,005	15,392	15,206	13,829
Average number of employees during the year	33,104	38,145	35,994	33,185	32,677	29,299
Staff expenses	1,625	2,065	1,981	1,909.2	462.1	1,742.7
mg SHARES						
Dividend per share (€)	0.26	0.25	0.25	0.25	0.06	–
Total dividend payout	48	48	48	48.3	11.6	–
Share price at Dec. 31 and Sep. 30 (€)	19.00	12.00	6.17	6.51	5.90	11.10
Basic earnings per share on continued operations	0.88	1.03	0.69	0.99	– 0.16	– 0.66
Basic earnings per share on discontinued operations	–	–	–	–	–	– 0.36
Weighted-average number of shares outstanding (million)	144	186	191	192.3	193.3	193.8
Economic value added	– 38	43	54	91.5	–	– 369.1

[1] Cash and cash equivalents = liquid funds plus securities
[2] Net position = cash and cash equivalents[2] minus bonds minus bank debt
[3] Gearing = net position[3] / consolidated shareholders' equity
[4] Free cash flow = net cash provided by (used for) operating activities plus net cash provided by (used for) investing activities
[5] Investment = fixed assets plus non-fixed assets
minus (total) trade payables minus liabilities from derivatives minus advance payments received
minus provisions for outstanding suppliers' invoices
[6] Full-time equivalents (FTEs), excluding trainees